

FINANCIAL STATEMENTS
CITY OF HOUGHTON, MICHIGAN
June 30, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Houghton	County Houghton
Fiscal Year End June 30, 2007	Opinion Date December 18, 2007	Date Audit Report Submitted to State December 27, 2007	

We affirm that:

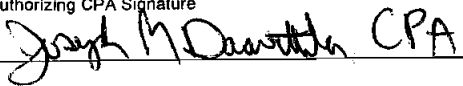
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☐ ☒ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Joseph M. Daavettila, P.C, CPA		Telephone Number (906) 482-3830	
Street Address 417 Sheldon Avenue		City Houghton	State MI
Zip 49931			
Authorizing CPA Signature 	Printed Name JOSEPH M DAAVETILA	License Number 15628	

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JOSEPH M. DAAVETILA, P.C.
CERTIFIED PUBLIC ACCOUNTANT
417 Sheldon Avenue, P.O. Box 488
Houghton, Michigan 49931
December 18, 2007

City Council
City of Houghton
Michigan

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each fund of the CITY OF HOUGHTON, MICHIGAN as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each fund of the CITY OF HOUGHTON, MICHIGAN as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 18, 2007 on our consideration of the CITY OF HOUGHTON, MICHIGAN'S internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 8 through 14 and 57 through 61 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CITY OF HOUGHTON, MICHIGAN'S basic financial statements. The introductory section, individual fund financial statements, statistical tables, and the accompanying schedule of Transit Fund expenditures of federal and state awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements and the schedule

of Transit Fund expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Joseph M. Dandridge, PC

Certified Public Accountant

JOSEPH M. DAAVETILA, P.C.
CERTIFIED PUBLIC ACCOUNTANT
417 Sheldon Avenue, P.O. Box 488
Houghton, Michigan 49931
December 18, 2007

City Council
City of Houghton
Michigan

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each fund of the CITY OF HOUGHTON, MICHIGAN as of and for the year ended June 30, 2007, which collectively comprise the CITY OF HOUGHTON, MICHIGAN'S basic financial statements and have issued our report thereon dated December 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the CITY OF HOUGHTON, MICHIGAN'S internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CITY OF HOUGHTON, MICHIGAN'S internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the CITY OF HOUGHTON'S internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the CITY OF HOUGHTON, MICHIGAN'S ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the CITY OF HOUGHTON, MICHIGAN'S financial statements that is more than inconsequential will not be prevented or detected by the CITY OF HOUGHTON, MICHIGAN'S internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the CITY OF HOUGHTON, MICHIGAN'S internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CITY OF HOUGHTON, MICHIGAN'S financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the CITY OF HOUGHTON, MICHIGAN in a separate letter dated December 18, 2007.

This report is intended for the information and the use of management, the City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountant

CITY OF HOUGHTON, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended June 30, 2007
(Unaudited)

Our discussion and analysis of the City of Houghton's financial performance provides an overview of the City's financial activities for the year ended June 30, 2007. Please read this report in conjunction with the City's financial statements which begin on Page 15.

USING THIS ANNUAL REPORT

This Annual Report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 15-16) provide information about the activities of the City as a whole and present a long-term view of the City's finances. Fund financial statements start on Page 17. For governmental activities these statements tell how these activities were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operation in more detail than the government-wide statements by providing information about the City's individual funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins on Page 10. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about the activities in a way that helps answer these questions. These statements include all assets and liabilities using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets - the difference between assets and liabilities - as one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non financial factors, however, such as changes in the City's property tax base and the condition of the City's roads to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

1. Governmental Activities - Most of the City's basic services are reported here including police, fire, general administration, streets, parks and neighborhoods. Sales taxes, franchise fees, fines, state and federal grants finance most of these activities.
2. Business-type Activities - The City charges a fee to customers to help cover all or most of the cost of certain services provided. The City's water, sewer, transit and parking systems are reported here.
3. Component Units - The City includes three separate legal entities in its report - The Downtown Development Authority, the Tax Increment Finance Authority, and the Brownfield Redevelopment Authority. Although legally separate, these "component units" are important because the City is financially accountable for them.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds begins on Page 12. The Fund Financial Statements begin on Page 17 and provide detailed information about the most significant funds, not the City as a whole. Some Funds are required to be established by State law and by bond covenants; however, the City Council establishes many other funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants or other monies. The City's two kinds of funds, government and proprietary, use different accounting approaches:

1. **Governmental Funds** - Most of the City's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at the end of the year which are available for spending. These funds are reported using the accounting method called modified accrual accounting which measures cash and other financial assets that can be easily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. The governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation following the fund financial statements.
2. **Proprietary Funds** - When the City charges customers for the service it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

THE CITY AS TRUSTEE

The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Net Assets and Changes in Net Assets on Pages 25 and 26. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CITY AS A WHOLE

For the year ending June 30, 2007 the net assets changed as follows:

Table 1
City of Houghton's Net Assets

	Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
Current and other assets	\$ 2,366,412	\$ 2,933,965	\$ 1,134,389	\$ 758,208
Capital assets	<u>9,789,359</u>	<u>9,070,910</u>	<u>11,092,932</u>	<u>11,459,307</u>
Total assets	<u>\$12,155,771</u>	<u>\$12,004,875</u>	<u>\$12,227,321</u>	<u>\$12,217,515</u>
Long-term liabilities	\$ 3,373,717	\$ 3,366,005	\$ 4,781,000	\$ 4,896,000
Other liabilities	<u>413,229</u>	<u>521,291</u>	<u>246,037</u>	<u>270,312</u>
Total liabilities	<u>\$ 3,786,946</u>	<u>\$ 3,887,296</u>	<u>\$ 5,027,037</u>	<u>\$ 5,166,312</u>
Net assets:				
Invested in capital assets, net of related debt	\$ 6,454,189	\$ 5,783,816	\$ 6,196,932	\$ 6,457,307
Restricted	-	-	371,543	290,295
Unrestricted	<u>1,914,636</u>	<u>2,333,763</u>	<u>631,809</u>	<u>303,601</u>
Total net assets	<u>\$ 8,368,825</u>	<u>\$ 8,117,579</u>	<u>\$ 7,200,284</u>	<u>\$ 7,051,203</u>

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Particular interest is the format that is significantly different than a typical statement of revenues and expenses and changes in fund balance. You will notice that expenses are listed in the first column with revenues from a particular program reported to the right. Result is a Net (Expense) Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions of the City's taxpayers. It also identifies how much each function draws from the general revenues, or if it is self-financing, through fees and grants.

Total Primary Government	
<u>2007</u>	<u>2006</u>
\$ 3,500,801	\$ 3,692,173
<u>20,882,291</u>	<u>20,530,217</u>
<u>\$24,383,092</u>	<u>\$24,222,390</u>
\$ 8,154,717	\$ 8,262,005
<u>659,266</u>	<u>791,603</u>
<u>\$ 8,813,983</u>	<u>\$ 9,053,608</u>
\$12,651,121	\$12,241,123
371,543	290,295
<u>2,546,445</u>	<u>2,637,364</u>
<u><u>\$15,569,109</u></u>	<u><u>\$15,168,782</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Table 2
City of Houghton's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:				
Program revenues:				
Charges for services	\$ 703,943	\$ 714,985	\$2,942,911	\$2,468,075
Operating grants and contributions	1,838,177	1,907,233	277,196	269,277
Capital grants and contributions	285,416	81,984	70,526	82,030
General revenues:				
Property taxes	1,247,092	1,126,073	-	-
Investment earnings	80,882	52,418	35,962	15,253
Gain (loss) on sale of assets	(17,189)	58,608	-	-
Miscellaneous	<u>39,436</u>	<u>24,661</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$4,177,757</u>	<u>\$3,965,962</u>	<u>\$3,326,595</u>	<u>\$2,834,635</u>
Expenses:				
General government	\$ 898,911	\$ 779,262	\$ -	\$ -
Public safety	820,535	759,174	-	-
Public works	1,685,416	1,731,922	-	-
Community development	62,167	59,710	-	-
Recreation and parks	305,235	411,117	-	-
Interest on long-term debt	127,437	90,002	-	-
Water	-	-	827,037	799,949
Sewer	-	-	1,665,093	1,554,984
Parking	-	-	292,959	282,276
Transit	<u>-</u>	<u>-</u>	<u>507,425</u>	<u>502,609</u>
Total expenses	<u>\$3,899,701</u>	<u>\$3,831,187</u>	<u>\$3,292,514</u>	<u>\$3,139,818</u>
Increase (decrease) in net assets before transfers	\$ 278,056	\$ 134,775	\$ 34,081	(\$ 305,183)
Transfers	<u>(26,810)</u>	<u>18,629</u>	<u>115,000</u>	<u>102,580</u>
Increase in net assets	\$ 251,246	\$ 153,404	\$ 149,081	(\$ 202,603)
Net assets - beginning of year	<u>8,117,579</u>	<u>7,964,175</u>	<u>7,051,203</u>	<u>7,253,806</u>
Net assets - end of year	<u>\$8,368,825</u>	<u>\$8,117,579</u>	<u>\$7,200,284</u>	<u>\$7,051,203</u>

Total Primary
Government

<u>2007</u>	<u>2006</u>
\$ 3,646,854	\$ 3,183,060
2,115,373	2,176,510
355,942	164,014
1,247,092	1,126,073
116,844	67,671
(17,189)	58,608
<u>39,436</u>	<u>24,661</u>
<u>\$ 7,504,352</u>	<u>\$ 6,800,597</u>
\$ 898,911	\$ 779,262
820,535	759,174
1,685,416	1,731,922
62,167	59,710
305,235	411,117
127,437	90,002
827,037	799,949
1,665,093	1,554,984
292,959	282,276
<u>507,425</u>	<u>502,609</u>
<u>\$ 7,192,215</u>	<u>\$ 6,971,005</u>
\$ 312,137	(\$ 170,408)
<u>88,190</u>	<u>121,209</u>
\$ 400,327	(\$ 49,199)
<u>15,168,782</u>	<u>15,217,981</u>
<u><u>\$15,569,109</u></u>	<u><u>\$15,168,782</u></u>

Business-Type Activities (Water, Sewer, Parking and Transit)

In 2006-2007 the Water and Sewer Funds experienced a gain in fund equity due to an increase in sales and an increase in rates. The amount of water the University uses is steady while we are seeing an increase in gallons sold for both commercial and residential users. The Parking Fund and Transit Fund have had a loss in fund balance mainly due to depreciation. The Transit Fund needed an additional \$8,000 over what was budgeted.

The City Funds:

General Fund

In 2006-2007 the General Fund had a decrease in fund balance of \$457,777. This was mainly due to the fact that we did a \$588,000 heating and lighting improvement to our buildings. We borrowed the money for the project which was received last year, but we did most of the expense this year. We did experience a fund balance loss from 2004-2005 to 2006-2007 of \$144,422. If we take out the heating and lighting project, about \$100,000 of the loss was from last year and \$45,000 of the loss was 2006-2007. We did see a significant cost savings in our heating and lighting bills. Our property tax and state funded fire protection were up while state revenue sharing was down. Again this year the planning expense was high due to the MSHDA grant applications we submitted.

Major Street

The fund balance was up again this year as winter maintenance was down due to a light snowfall. The snow fund grant we received from MDOT was down about 40% from last year. We did do about \$30,000 worth of paving in the Major Street Fund.

Local Street

The fund balance was up again this year due to the light snowfall and the snow grant was down the same percentage as Major Street. We did \$9,000 worth of street paving in the Local Street Fund.

Revolving Loan Fund

We did give out about \$15,000 in loans for the downtown facades and signs.

Public Improvement

Public Improvement had a decrease in fund balance due to the over expenditures on the projects completed.

Parking

Parking had a loss in fund balance mainly due to depreciation and a \$25,000 cash loss. The parking fines were down because the parking enforcement officer was out a couple of months on medical leave. Again this year the Parking Fund was not able to pay its equipment rental.

Transit

The fund loss in Transit was due entirely to depreciation. Revenues from the state were down while revenues from the federal government were up from last year. Fuel and bus maintenance were down from previous years.

Water Fund

This year the Water Fund did see an increase in fund balance due to the fact that we did increase our revenue due to increased sales. Expenses were slightly up from last year.

Sewer Fund

In 2006-2007 we saw an increase in fund equity and an increase in cash. This was due to the increased revenue the same as the Water Fund.

Equipment Fund

The Equipment Fund had a decrease in fund equity this year. Again this year the Parking Fund was not able to pay its equipment rental due to a lack of cash in that account. Also, this year the cost of supplies and parts was increased over last year.

Employee Benefit

This year the Employee Benefit Fund had a net gain of \$65,615. Two years ago we raised the percentage of payroll to 95% and the fund has been in good shape since. Due to some changes in our health care policy we have very little increase in health care costs.

General Fund Budgetary Highlights

For 2006-2007 we did overestimate the property tax revenue by about seven percent. The expense for the City Center heating and lighting improvements showed \$394,953. The bond proceeds for this project were shown in last year's audit. We also purchased a new fire truck which showed up as an expense for the fire department with a rural development loan showing up in the revenue. Under the MDHDA Signature Building Program we purchased the former Dover Music House building downtown. The revenue from the grant is shown in the revenue and expenses for this purchase also shows up. The planning expense was up significantly above the original budget due to the grants we were applying for.

Capital Assets-Debt Administration

Overall for 2006-2007 the City's Capital Assets were up due to the purchase of the Signature Buiding, the Honeywell heating and lighting and the purchase of a new fire truck. The overall debt was slightly up from last year due to the loan for the fire truck.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Capital Asset and Debt Administration

	Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
Land	\$ 691,259	\$ 691,259	\$ -	\$ -
Investment in Portage Lake Water and Sewer Authority	-	-	941,313	941,313
Buildings	3,238,116	3,112,155	149,723	156,214
Improvements	1,976,501	1,708,190	45,024	43,951
Equipment	1,408,492	1,236,129	336,057	328,620
Infrastructure	<u>2,474,991</u>	<u>2,323,177</u>	<u>9,620,815</u>	<u>9,989,210</u>
Total	<u>\$9,789,359</u>	<u>\$9,070,910</u>	<u>\$11,092,932</u>	<u>\$11,459,308</u>
DEBT				
General Obligation Bonds	\$2,360,000	\$2,450,000	\$ -	\$ -
Revenue Bonds	-	-	4,896,000	5,002,000
Installment Purchase Contract	577,858	601,470	-	-
Limited Tax Investment Note	273,000	90,000	-	-
Economic Development Grant Loan	<u>124,312</u>	<u>145,624</u>	<u>-</u>	<u>-</u>
Total	<u>\$3,335,170</u>	<u>\$3,287,094</u>	<u>\$ 4,896,000</u>	<u>\$ 5,002,000</u>

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and show the City's accountability for money it receives. If you have any questions about this report or need financial information, contact the City Clerk at 616 Shelden Avenue, Houghton, Michigan 49931.

Total Primary
Government

<u>2007</u>	<u>2006</u>
\$ 691,259	\$ 691,259
941,313	941,313
3,387,839	3,268,369
2,021,525	1,752,141
1,744,549	1,564,749
<u>12,095,806</u>	<u>12,312,387</u>
<u>\$20,882,291</u>	<u>\$20,530,218</u>
\$ 2,360,000	\$ 2,450,000
4,896,000	5,002,000
577,858	601,470
273,000	90,000
<u>124,312</u>	<u>145,624</u>
<u>\$ 8,231,170</u>	<u>\$ 8,289,094</u>

CITY OF HOUGHTON, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2007

	<u>Primary Government</u>			
	<u>Governmental</u>	<u>Business -</u>		<u>Component</u>
	<u>Activities</u>	<u>Type</u>	<u>Total</u>	<u>Units</u>
		<u>Activities</u>		
<u>ASSETS</u>				
Cash	\$ 949,352	\$ 581,476	\$ 1,530,828	\$ 90,800
Accounts receivable	58,571	325,164	383,735	18,384
Taxes receivable	78,061	-	78,061	20,015
Due from other governmental units	384,586	6,980	391,566	260,394
Internal balances	224,698	(224,698)	-	-
Inventories	4,704	-	4,704	-
Restricted assets	-	445,467	445,467	-
Investments	321,299	-	321,299	-
Long-term loans	345,141	-	345,141	-
Capital assets - net	<u>9,789,359</u>	<u>11,092,932</u>	<u>20,882,291</u>	<u>4,619,417</u>
TOTAL ASSETS	<u>\$ 12,155,771</u>	<u>\$12,227,321</u>	<u>\$24,383,092</u>	<u>\$5,009,010</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 105,984	\$ 33,827	\$ 139,811	\$ 45,319
Accrued expenses	54,077	84,231	138,308	25,089
Due to component unit	105,469	-	105,469	(106,977)
Due to other governmental units	-	12,979	12,979	-
Noncurrent liabilities:				
Due within one year	147,699	115,000	262,699	214,832
Due in more than one year	<u>3,373,717</u>	<u>4,781,000</u>	<u>8,154,717</u>	<u>2,244,644</u>
TOTAL LIABILITIES	<u>\$ 3,786,946</u>	<u>\$ 5,027,037</u>	<u>\$ 8,813,983</u>	<u>\$2,422,907</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	\$ 6,454,189	\$ 6,196,932	\$12,651,121	\$3,266,141
Restricted for debt service	-	371,543	371,543	-
Unrestricted	<u>1,914,636</u>	<u>631,809</u>	<u>2,546,445</u>	<u>(680,038)</u>
TOTAL NET ASSETS	<u>\$ 8,368,825</u>	<u>\$ 7,200,284</u>	<u>\$15,569,109</u>	<u>\$2,586,103</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year ended June 30, 2007

		<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
	<u>Expenses</u>			
Functions/Programs				
Primary Government:				
Governmental activities:				
General government	\$ 898,911	\$ 240,538	\$ 825,811	\$ 165,000
Public safety	820,535	7,641	43,223	45,000
Public works	1,685,416	323,635	969,143	75,416
Community development	62,167	-	-	-
Recreation and parks	305,235	132,129	-	-
Interest on long-term debt	127,437	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$3,899,701</u>	<u>\$ 703,943</u>	<u>\$ 1,838,177</u>	<u>\$ 285,416</u>
Business-type activities:				
Water	\$ 827,037	\$ 923,415	\$ -	\$ -
Sewer	1,665,093	1,802,685	-	-
Parking	292,959	109,883	-	-
Transit	507,425	106,928	277,196	70,526
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$3,292,514</u>	<u>\$2,942,911</u>	<u>\$ 277,196</u>	<u>\$ 70,526</u>
TOTAL PRIMARY GOVERNMENT	<u>\$7,192,215</u>	<u>\$3,646,854</u>	<u>\$ 2,115,373</u>	<u>\$ 355,942</u>
Component Units:				
DDA	\$ 110,931	\$ -	\$ -	\$ -
TIFA	223,054	-	-	-
Brownfield	6,762	-	6,762	-
TOTAL COMPONENT UNITS	<u>\$ 340,747</u>	<u>\$ -</u>	<u>\$ 6,762</u>	<u>\$ -</u>

General revenues:

Property taxes, levied for general purposes
 Unrestricted investment earnings
 Miscellaneous
 Special item - Gain (loss) on sale of assets
 Transfers

Total general revenues, special items and transfers

Change in net assets

Net assets at beginning of year, as adjusted

Net assets at end of year

The accompanying notes to financial statements
 are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Primary Government

<u>Government</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>	<u>Total</u>	<u>Component</u> <u>Units</u>
\$ 332,438	\$ -	\$ 332,438	
(724,671)	-	(724,671)	
(317,222)	-	(317,222)	
(62,167)	-	(62,167)	
(173,106)	-	(173,106)	
(127,437)	-	(127,437)	
<u>(\$1,072,165)</u>	<u>\$ -</u>	<u>(\$ 1,072,165)</u>	
\$ -	\$ 96,378	\$ 96,378	
-	137,592	137,592	
-	(183,076)	(183,076)	
<u>-</u>	<u>(52,775)</u>	<u>(52,775)</u>	
<u>\$ -</u>	<u>(\$ 1,881)</u>	<u>(\$ 1,881)</u>	
<u>(\$1,072,165)</u>	<u>(\$ 1,881)</u>	<u>(\$ 1,074,046)</u>	
\$ -	\$ -	\$ -	(\$ 110,931)
-	-	-	(223,054)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 333,985)</u>
\$1,247,092	\$ -	\$ 1,247,092	\$ 952,771
80,882	35,962	116,844	14,692
39,436	-	39,436	1,600
(17,189)	-	(17,189)	-
(26,810)	115,000	88,190	(88,190)
<u>\$1,323,411</u>	<u>\$ 150,962</u>	<u>\$ 1,474,373</u>	<u>\$ 880,873</u>
\$ 251,246	\$ 149,081	\$ 400,327	\$ 546,888
8,117,579	7,051,203	15,168,782	2,039,215
<u>\$8,368,825</u>	<u>\$7,200,284</u>	<u>\$15,569,109</u>	<u>\$2,586,103</u>

CITY OF HOUGHTON, MICHIGAN

GOVERNMENTAL FUNDS
BALANCE SHEET

June 30, 2007

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 378,890	\$ 258,230	\$ 125,663
Accounts receivable	58,571	-	-
Taxes receivable	78,061	-	-
Inventories	4,704	-	-
Due from other funds	39,935	3,361	-
Due from other governmental units	114,729	54,347	88,010
Due from component units	-	-	6,712
Long-term loan	65,455	-	-
Investments	321,299	-	-
TOTAL ASSETS	<u>\$1,061,644</u>	<u>\$ 315,938</u>	<u>\$ 220,385</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts payable	\$ 75,290	\$ 8,081	\$ 3,153
Accrued expenses	24,506	2,066	3,032
Due to other funds	48,158	131,605	138,274
Due to component units	15,383	-	-
Deferred revenue	75,943	-	-
TOTAL LIABILITIES	<u>\$ 239,280</u>	<u>\$ 141,752</u>	<u>\$ 144,459</u>
<u>FUND BALANCES</u>			
Reserved for inventory	\$ 4,704	\$ -	\$ -
Unreserved, reported in:			
General fund	817,660	-	-
Special revenue funds	-	174,186	75,926
Capital project fund	-	-	-
Debt service funds	-	-	-
TOTAL FUND BALANCES	<u>\$ 822,364</u>	<u>\$ 174,186</u>	<u>\$ 75,926</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$1,061,644</u>	<u>\$ 315,938</u>	<u>\$ 220,385</u>

The accompanying notes to financial statements
are an integral part of this statement.

<u>Revolving</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
\$ 178,761	\$ 2,422	\$ 4,915	\$ 948,881
-	-	-	58,571
-	-	-	78,061
-	-	-	4,704
61,363	50,794	-	155,453
-	127,500	-	384,586
-	-	-	6,712
279,686	-	-	345,141
-	-	-	321,299
<u>\$ 519,810</u>	<u>\$ 180,716</u>	<u>\$ 4,915</u>	<u>\$2,303,408</u>

\$ -	\$ 492	\$ -	\$ 87,016
-	2,637	-	32,241
-	70,061	-	388,098
-	78,769	-	94,152
<u>279,686</u>	<u>-</u>	<u>-</u>	<u>355,629</u>
<u>\$ 279,686</u>	<u>\$ 151,959</u>	<u>\$ -</u>	<u>\$ 957,136</u>

\$ -	\$ -	\$ -	\$ 4,704
-	-	-	817,660
240,124	-	-	490,236
-	28,757	-	28,757
<u>-</u>	<u>-</u>	<u>4,915</u>	<u>4,915</u>
<u>\$ 240,124</u>	<u>\$ 28,757</u>	<u>\$ 4,915</u>	<u>\$1,346,272</u>
<u>\$ 519,810</u>	<u>\$ 180,716</u>	<u>\$ 4,915</u>	<u>\$2,303,408</u>

CITY OF HOUGHTON, MICHIGAN

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2007

Total fund balance - total governmental funds	\$1,346,272
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	8,758,121
Internal service funds are used by management to charge the costs of certain activities, such as equipment rental, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.	1,362,851
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in governmental funds balance sheet.	(19,157)
Deferred revenue is unavailable revenue and therefore is not reported as a liability in the statement of net assets.	355,629
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(3,434,891)
Net assets of governmental activities	<u>\$8,368,825</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Year ended June 30, 2007

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>
REVENUES:			
Taxes	\$1,123,472	\$ -	\$ 134,975
License and permits	6,295	-	-
State grants	1,079,034	744,002	225,141
Charges for services	698,650	-	-
Interest and rents	59,208	6,474	3,650
Other revenue	<u>31,532</u>	<u>-</u>	<u>3,928</u>
TOTAL REVENUES	<u>\$2,998,191</u>	<u>\$ 750,476</u>	<u>\$ 367,694</u>
EXPENDITURES:			
General government	\$1,266,177	\$ 27,161	\$ 25,471
Public safety	1,047,634	-	-
Public works	544,888	742,812	308,746
Recreation and parks	257,893	-	-
Loans	-	-	-
Other expenditures	80,452	-	-
Debt service:			
Principal	40,851	-	-
Interest and other charges	<u>17,782</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$3,255,677</u>	<u>\$ 769,973</u>	<u>\$ 334,217</u>
Excess (deficiency) of revenues over expenditures	<u>(\$ 257,486)</u>	<u>(\$ 19,497)</u>	<u>\$ 33,477</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from long-term debt	\$ 193,000	\$ -	\$ -
Transfers in	5,700	-	-
Transfers out	<u>(398,991)</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 200,291)</u>	<u>\$ -</u>	<u>\$ -</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(\$ 457,777)</u>	<u>(\$ 19,497)</u>	<u>\$ 33,477</u>
Fund balances at beginning of year	<u>\$1,280,141</u>	<u>\$ 193,683</u>	<u>\$ 42,449</u>
Fund balances at end of year	<u>\$ 822,364</u>	<u>\$ 174,186</u>	<u>\$ 75,926</u>

The accompanying notes to financial statements
are an integral part of this statement.

<u>Revolving</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$1,258,447
-	-	-	6,295
-	75,416	-	2,123,593
-	-	-	698,650
11,525	-	-	80,857
<u>21,619</u>	<u>2,974</u>	<u>-</u>	<u>60,053</u>
<u>\$ 33,144</u>	<u>\$ 78,390</u>	<u>\$ -</u>	<u>\$4,227,895</u>
\$ 1,061	\$ 42,496	\$ -	\$1,362,366
-	-	-	1,047,634
-	251,850	-	1,848,296
-	-	-	257,893
15,000	-	-	15,000
-	-	-	80,452
-	-	90,000	130,851
<u>-</u>	<u>-</u>	<u>104,106</u>	<u>121,888</u>
<u>\$ 16,061</u>	<u>\$ 294,346</u>	<u>\$ 194,106</u>	<u>\$4,864,380</u>
<u>\$ 17,083</u>	<u>(\$ 215,956)</u>	<u>(\$ 194,106)</u>	<u>(\$ 636,485)</u>
\$ -	\$ -	\$ -	\$ 193,000
-	163,800	194,106	363,606
<u>-</u>	<u>-</u>	<u>-</u>	<u>(398,991)</u>
<u>\$ -</u>	<u>\$ 163,800</u>	<u>\$ 194,106</u>	<u>\$ 157,615</u>
<u>\$ 17,083</u>	<u>(\$ 52,156)</u>	<u>\$ -</u>	<u>(\$ 478,870)</u>
<u>\$ 223,041</u>	<u>\$ 80,913</u>	<u>\$ 4,915</u>	<u>\$1,825,142</u>
<u>\$ 240,124</u>	<u>\$ 28,757</u>	<u>\$ 4,915</u>	<u>\$1,346,272</u>

CITY OF HOUGHTON, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

June 30, 2007

Net change in fund balances - total governmental funds	(\$ 478,870)
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	1,112,430
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources; therefore, depreciation expense is not reported as an expenditure in governmental funds. Includes Internal Service Fund's depreciation expense of \$228,552 and reduced by depreciation recaptured on assets sold of \$134,754.	(573,541)
Governmental funds report the issuance of long-term debt as revenue. However, in the statement of activities, it increases long-term liabilities.	(193,000)
Repayments of long-term debt is an expenditure in the governmental funds, but not in the statement of activities where it reduces long-term debt.	172,572
Repayments of revolving loan fund loan principal, in the amount of \$21,619 is recorded as revenue in the governmental funds. Issuance of revolving loan funds in the amount of \$15,000 is recorded as an expenditure in the governmental funds. These amounts are not recorded in the statement of activities.	(6,619)
Some property tax and long-term receivables will not be collected until after the City's fiscal year end; therefore, they are not considered "available" revenues in the governmental funds.	(11,355)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as an expenditure in governmental funds.	935
Internal service funds are used by management to charge the costs of certain activities, such as equipment rentals, to individual funds. The net revenue of the Internal Service Fund is reported with governmental activities net of amount allocated to business-type and component units activities and depreciation expense.	
Change in net assets	\$ 3,557
Net of amount allocated to business-type and component unit activities	(3,415)
Depreciation expense	228,552
	<u>228,694</u>
Change in net assets of governmental activities	<u>\$ 251,246</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 June 30, 2007

		<u>Business-Type Activities - Enterprise Funds</u>			
		<u>Water Supply Fund</u>	<u>Sewer Disposal System Fund</u>	<u>Parking System Fund</u>	<u>Transit Fund</u>
<u>ASSETS</u>					
<u>CURRENT ASSETS</u>					
Cash	\$	69,038	\$ 500,244	\$ 5,647	\$ 6,547
Accounts receivable		102,707	212,031	998	9,428
Due from other funds		652	33,817	-	-
Due from component units		-	-	-	-
Due from other governmental units		-	2,055	-	4,925
TOTAL CURRENT ASSETS	\$	<u>172,397</u>	<u>748,147</u>	<u>6,645</u>	<u>20,900</u>
<u>NONCURRENT ASSETS</u>					
Restricted assets	\$	404,091	\$ 41,376	\$ -	\$ -
Capital assets:					
Property and equipment		9,385,371	5,522,182	4,418,758	1,302,095
Less accumulated depreciation	(3,661,513)	(3,457,105)	(2,407,584)	(950,585)
Investment in Portage Lake Water and Sewer Authority		-	941,313	-	-
TOTAL NONCURRENT ASSETS	\$	<u>6,127,949</u>	<u>\$3,047,766</u>	<u>\$2,011,174</u>	<u>\$ 351,510</u>
TOTAL ASSETS	\$	<u>6,300,346</u>	<u>\$3,795,913</u>	<u>\$2,017,819</u>	<u>\$ 372,410</u>
<u>LIABILITIES</u>					
<u>CURRENT LIABILITIES</u>					
Accounts payable	\$	23,955	\$ 4,391	\$ 1,893	\$ 3,588
Accrued wages and benefits		4,221	-	1,631	4,455
Accrued expenses		65,265	8,659	-	-
Due to other funds		48,645	2,035	264,724	15,185
Due to other governmental units		-	-	-	12,979
Current maturities on long-term debt		70,000	45,000	-	-
TOTAL CURRENT LIABILITIES	\$	<u>212,086</u>	<u>\$ 60,085</u>	<u>\$ 268,248</u>	<u>\$ 36,207</u>
<u>NONCURRENT LIABILITIES</u>					
Loans payable	\$	-	\$ -	\$ -	\$ -
Bonds payable		4,386,000	510,000	-	-
Less current maturities	(70,000)	(45,000)	-	-
TOTAL NONCURRENT LIABILITIES	\$	<u>4,316,000</u>	<u>\$ 465,000</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL LIABILITIES	\$	<u>4,528,086</u>	<u>\$ 525,085</u>	<u>\$ 268,248</u>	<u>\$ 36,207</u>
<u>NET ASSETS</u>					
Invested in capital assets - net of related debt	\$	1,337,858	\$2,496,390	\$2,011,174	\$ 351,510
Restricted for debt service		338,826	32,717	-	-
Unrestricted		95,576	741,721	(261,603)	(15,307)
TOTAL NET ASSETS	\$	<u>1,772,260</u>	<u>\$3,270,828</u>	<u>\$1,749,571</u>	<u>\$ 336,203</u>

Reconciliation to government-wide statement of net assets:

Adjustment to reflect the consolidation of Internal Service Fund's activities
related to enterprise funds.

Net assets of business-type activities.

The accompanying notes to financial statements
are an integral part of this statements.

<u>Totals</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 581,476	\$ 471
325,164	-
34,469	558,372
-	6,660
<u>6,980</u>	<u>-</u>
<u>\$ 948,089</u>	<u>\$ 565,503</u>
\$ 445,467	\$ -
20,628,406	3,431,392
(10,476,787)	(2,400,154)
<u>941,313</u>	<u>-</u>
<u>\$11,538,399</u>	<u>\$ 1,031,238</u>
<u>\$12,486,488</u>	<u>\$ 1,596,741</u>
\$ 33,827	\$ 18,969
10,307	-
73,924	2,679
330,589	29,607
12,979	-
<u>115,000</u>	<u>14,515</u>
<u>\$ 576,626</u>	<u>\$ 65,770</u>
\$ -	\$ 86,524
4,896,000	-
(115,000)	(14,515)
<u>\$ 4,781,000</u>	<u>\$ 72,009</u>
<u>\$ 5,357,626</u>	<u>\$ 137,779</u>
\$ 6,196,932	\$ 944,714
371,543	-
<u>560,387</u>	<u>514,248</u>
<u>\$ 7,128,862</u>	<u>\$ 1,458,962</u>
<u>71,422</u>	
<u>\$ 7,200,284</u>	

CITY OF HOUGHTON, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year ended June 30, 2007

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water Supply Fund</u>	<u>Sewer Disposal System Fund</u>	<u>Parking System Fund</u>	<u>Transit Fund</u>
Operating revenues:				
Utility Services	\$ 891,213	\$1,800,366	\$ -	\$ -
Parking revenues	-	-	109,760	-
Transit fares	-	-	-	106,928
Rents and other revenues	<u>32,202</u>	<u>2,319</u>	<u>123</u>	<u>-</u>
TOTAL OPERATING REVENUES	<u>\$ 923,415</u>	<u>\$1,802,685</u>	<u>\$ 109,883</u>	<u>\$106,928</u>
Operating expenses:				
Operating expenses -				
Less depreciation	\$ 440,008	\$1,534,046	\$ 185,048	\$387,021
Depreciation	<u>188,413</u>	<u>103,009</u>	<u>108,544</u>	<u>62,771</u>
TOTAL OPERATING EXPENSES	<u>\$ 628,421</u>	<u>\$1,637,055</u>	<u>\$ 293,592</u>	<u>\$449,792</u>
OPERATING INCOME (LOSS)	<u>\$ 294,994</u>	<u>\$ 165,630</u>	<u>(\$ 183,709)</u>	<u>(\$342,864)</u>
Non-operating revenues:				
Interest income and other revenue	\$ 16,775	\$ 19,159	\$ 13	\$ 15
Operating grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>277,196</u>
TOTAL NON-OPERATING REVENUES	<u>\$ 16,775</u>	<u>\$ 19,159</u>	<u>\$ 13</u>	<u>\$277,211</u>
Non-operating expenses:				
Interest	\$ 199,370	\$ 28,997	\$ -	\$ 173
Loss on sale of equipment	-	-	-	-
Service grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,464</u>
TOTAL NON-OPERATING EXPENSES	<u>\$ 199,370</u>	<u>\$ 28,997</u>	<u>\$ -</u>	<u>\$ 57,637</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>\$ 112,399</u>	<u>\$ 155,792</u>	<u>(\$ 183,696)</u>	<u>(\$123,290)</u>
Capital contributions	-	-	-	70,526
Transfers in (out)	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>65,000</u>
CHANGE IN NET ASSETS	<u>\$ 112,399</u>	<u>\$ 155,792</u>	<u>(\$ 133,696)</u>	<u>\$ 12,236</u>
Total net assets - beginning	<u>\$1,659,861</u>	<u>\$3,115,036</u>	<u>\$1,883,267</u>	<u>\$323,967</u>
Total net assets - ending	<u>\$1,772,260</u>	<u>\$3,270,828</u>	<u>\$1,749,571</u>	<u>\$336,203</u>

Amounts reported for business-type activities in the statement of activities are different because:

The net revenue (expense) of certain internal funds are reported with business-type activities.

Change in net assets of business-type activities.

The accompanying notes to financial statements are an integral part of this statement.

<u> </u>	Governmental
	Activities-
	Internal
	Service
<u>Totals</u>	<u>Fund</u>

\$2,691,579	\$	-
109,760		-
106,928		-
<u>34,644</u>		<u>728,233</u>
<u>\$2,942,911</u>	\$	<u>728,233</u>

\$2,546,123	\$	481,051
<u>462,737</u>		<u>228,552</u>
<u>\$3,008,860</u>	\$	<u>709,603</u>
(\$ 65,949)	\$	<u>18,630</u>

\$ 35,962	\$	25
<u>277,196</u>		<u>-</u>
<u>\$ 313,158</u>	\$	<u>25</u>

\$ 228,540	\$	6,484
-		17,189
<u>57,464</u>		<u>-</u>
<u>\$ 286,004</u>	\$	<u>23,673</u>

(\$ 38,795)	(\$	5,018)
70,526		-
<u>115,000</u>		<u>8,575</u>
\$ 146,731	\$	<u>3,557</u>
		<u>\$ 1,455,405</u>
		<u><u>\$ 1,458,962</u></u>

<u>2,350</u>
<u><u>\$ 149,081</u></u>

CITY OF HOUGHTON, MICHIGAN

PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 Year ended June 30, 2007

	Business-Type Activities Enterprise Funds		
	Water Supply Fund	Sewer Disposal System Fund	Parking System Fund
Cash flows from operating activities:			
Receipts from customers	\$912,449	\$1,781,816	\$109,521
Payments to suppliers	(253,661)	(1,418,107)	(117,853)
Payments to employees	(180,572)	(130,906)	(66,163)
Other receipts (payments)	-	-	-
Net cash provided (used) by operating activities	<u>\$478,216</u>	<u>\$ 232,803</u>	<u>(\$ 74,495)</u>
Cash flows from noncapital financing activities:			
(Increase) decrease in due from other funds and component units	(\$ 652)	(\$ 4,856)	\$ -
(Increase) decrease in due from other governmental units	-	-	-
Increase (decrease) in due to other funds and component units	(73,395)	2,035	25,889
Increase (decrease) in due to other governmental units	-	-	-
Transfers from other funds and component units	-	-	50,000
Transfers to other funds and component units	-	-	-
Proceeds from grants	-	-	-
Specialized services grants paid	-	-	-
Interest expense and finance charges	-	-	-
Net cash provided (used) by noncapital financing activities	<u>(\$ 74,047)</u>	<u>(\$ 2,821)</u>	<u>\$ 75,889</u>
Cash flows from capital and related financing activities:			
Capital contributions	\$ -	\$ -	\$ -
Proceeds from sale of equipment	-	-	-
Acquisition of property, plant and equipment	(12,927)	(12,651)	-
Issuance (reduction) of long-term debt	(66,000)	(40,000)	-
(Increase) decrease in grants receivable	-	-	-
(Increase) decrease in restricted assets	(78,479)	(1,219)	-
Interest paid on long-term debt	(200,340)	(29,577)	-
Net cash provided (used) by capital and related financing activities	<u>(\$357,746)</u>	<u>(\$ 83,447)</u>	<u>\$ -</u>

The accompanying notes to financial statements
are an integral part of this statement.

<u>Transit Fund</u>	<u>Totals</u>	Governmental Activities - Internal Service <u>Fund</u>
\$ 101,041	\$2,904,827	\$ 620,093
(121,046)	(1,910,667)	(394,701)
(269,258)	(646,899)	(84,867)
<u>-</u>	<u>-</u>	<u>1,466</u>
(\$ 289,263)	\$ 347,261	\$ 141,991

\$ -	(\$ 5,508)	\$ -
6,183	6,183	-
13,846	(31,625)	-
(22,337)	(22,337)	-
65,000	115,000	14,275
-	-	(5,700)
277,196	277,196	-
(57,464)	(57,464)	-
(<u>173</u>)	(<u>173</u>)	<u>-</u>
\$ 282,251	\$ 281,272	\$ 8,575

\$ 70,526	\$ 70,526	\$ -
-	-	50,412
(70,784)	(96,362)	(247,161)
-	(106,000)	(14,073)
5,017	5,017	-
-	(79,698)	-
<u>-</u>	(<u>229,917</u>)	(<u>6,644</u>)
\$ 4,759	(\$ 436,434)	(\$ 217,466)

CITY OF HOUGHTON, MICHIGAN
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS (CONTINUED)
 Year ended June 30, 2007

	Business-Type Activities Enterprise Funds		
	Water Supply Fund	Sewer Disposal System Fund	Parking System Fund
Cash flows from investing activities -			
Interest received	\$ 16,775	\$ 19,159	\$ 13
Net increase (decrease) in cash and cash equivalents	\$ 63,198	\$ 165,694	\$ 1,407
Cash - beginning of year	5,840	334,550	4,240
Cash - end of year	<u>\$ 69,038</u>	<u>\$ 500,244</u>	<u>\$ 5,647</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 294,994	\$ 165,630	(\$ 183,709)
Adjustments to reconcile operating income to net cash provided (used) by operating activities -			
Depreciation expense	188,413	103,009	108,544
Changes in assets and liabilities:			
Receivables	(10,966)	(20,869)	(362)
Due from other funds and component units	-	-	-
Due from other governmental units	-	(2,055)	-
Accounts and other payables	2,836	(9,501)	202
Accrued expenses	2,939	(2,188)	830
Due to other funds	-	-	-
Due to other governmental units	-	(1,223)	-
Net cash provided by operating activities	<u>\$ 478,216</u>	<u>\$ 232,803</u>	<u>(\$ 74,495)</u>

The accompanying notes to financial statements are an integral part of this statement.

<u>Transit Fund</u>	<u>Totals</u>	Governmental Activities - Internal Service Fund
\$ 15	\$ 35,962	\$ 25
(\$ 2,238)	\$ 228,061	(\$ 66,875)
<u>8,785</u>	<u>353,415</u>	<u>67,346</u>
<u>\$ 6,547</u>	<u>\$ 581,476</u>	<u>\$ 471</u>
(\$ 342,864)	(\$ 65,949)	\$ 18,630
62,771	462,737	228,552
(5,887)	(38,084)	1,533
-	-	(93,417)
-	(2,055)	-
(1,874)	(8,337)	-
(1,409)	172	(50)
-	-	(13,257)
-	(1,223)	-
<u>(\$ 289,263)</u>	<u>\$ 347,261</u>	<u>\$ 141,991</u>

CITY OF HOUGHTON, MICHIGAN
FIDUCIARY FUND TYPES
STATEMENT OF NET ASSETS

June 30, 2007

	<u>Pension Trust Fund Employee Retirement Fund</u>	<u>Employee Benefit Fund</u>	<u>Agency Fund Tax Collection Fund</u>
<u>ASSETS</u>			
Cash	\$ 104,686	\$ 254,377	\$ 13,868
Investments - at fair value	3,795,054	-	-
Prepaid expenses	-	43,801	-
Loans to retirement plan participants	<u>33,932</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 3,933,672</u>	<u>\$ 298,178</u>	<u>\$ 13,868</u>
<u>LIABILITIES</u>			
Accounts payable	\$ -	\$ 1,071	\$ -
Due to other governmental units	-	-	12,360
Due to component units	-	-	1,508
Accumulated employee sick leave	-	64,419	-
Accumulated employee vacation	<u>-</u>	<u>76,206</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 141,696</u>	<u>\$ 13,868</u>
<u>NET ASSETS</u>			
Held in trust for pension benefits	\$ 3,933,672	\$ -	\$ -
Unrestricted	<u>-</u>	<u>156,482</u>	<u>-</u>
TOTAL NET ASSETS	<u><u>\$ 3,933,672</u></u>	<u><u>\$ 156,482</u></u>	<u><u>\$ -</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
 FIDUCIARY FUND TYPES
 STATEMENT OF CHANGES IN NET ASSETS
 Year ended June 30, 2007

	<u>Pension Trust Fund Employee Retirement Fund</u>	<u>Employee Benefit Fund</u>
Operating revenues:		
Employer contributions	\$ 194,505	\$ -
Investment income (loss)	224,985	-
Charges for services	-	1,087,656
Other revenue	-	22,780
TOTAL OPERATING REVENUES	<u>\$ 419,490</u>	<u>\$1,110,436</u>
Operating expenses:		
Plan distributions	\$ 1,891,952	\$ -
Payroll taxes - employer share	-	127,334
Hospitalization insurance	-	415,550
Sick pay	-	84,690
Vacation pay	-	107,054
Holiday pay	-	39,542
Funeral leave	-	608
Longevity pay	-	10,020
Workers' compensation insurance	-	46,568
Unemployment insurance	-	3,931
Retirement contributions	-	194,507
Life insurance	-	29,725
Disability insurance	-	5,840
Other	-	13,923
TOTAL OPERATING EXPENSES	<u>\$ 1,891,952</u>	<u>\$1,079,292</u>
OPERATING INCOME (LOSS)	(\$ 1,472,462)	\$ 31,144
Nonoperating revenues (expenses) -		
Net appreciation (depreciation) in fair value of investments	<u>540,458</u>	<u>-</u>
Changes in net assets	(\$ 932,004)	\$ 31,144
Net assets - beginning of year	<u>4,865,676</u>	<u>125,338</u>
Net assets - end of year	<u>\$ 3,933,672</u>	<u>\$ 156,482</u>

The accompanying notes to financial statements
 are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

COMPONENT UNITS
STATEMENT OF NET ASSETS

June 30, 2007

	<u>Downtown Development Authority</u>	<u>Tax Increment Finance Authority</u>	<u>Brownfield Redevelopment Authority</u>	<u>Totals</u>
<u>ASSETS</u>				
Cash	\$ 89,451	\$ 1,247	\$ 102	\$ 90,800
Accounts receivable	-	18,384	-	18,384
Taxes receivable	771	19,244	-	20,015
Due from primary government	7,357	84,237	15,383	106,977
Due from other governmental units	-	-	260,394	260,394
Capital assets-net	<u>789,255</u>	<u>3,830,162</u>	<u>-</u>	<u>4,619,417</u>
TOTAL ASSETS	<u>\$ 886,834</u>	<u>\$3,953,274</u>	<u>\$ 275,879</u>	<u>\$5,115,987</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 5,472	\$ 39,847	\$ -	\$ 45,319
Accrued expenses	10,527	14,562	-	25,089
Noncurrent liabilities:				
Due within one year	53,811	120,000	41,021	214,832
Due in more than one year	<u>856,995</u>	<u>1,168,276</u>	<u>219,373</u>	<u>2,244,644</u>
TOTAL LIABILITIES	<u>\$ 926,805</u>	<u>\$1,342,685</u>	<u>\$ 260,394</u>	<u>\$2,529,884</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	\$ 724,255	\$2,541,886	\$ -	\$3,266,141
Unrestricted	(<u>764,226</u>)	<u>68,703</u>	<u>15,485</u>	(<u>680,038</u>)
TOTAL NET ASSETS	<u>(\$ 39,971)</u>	<u>\$2,610,589</u>	<u>\$ 15,485</u>	<u>\$2,586,103</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
 COMPONENT UNITS - STATEMENT OF ACTIVITIES
 Year ended June 30, 2007

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs				
Downtown Development				
Authority:				
General government	\$ 93,614	\$ -	\$ -	\$ -
Public works	<u>17,317</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL DOWNTOWN				
DEVELOPMENT AUTHORITY	<u>\$ 110,931</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Tax Increment				
Finance Authority:				
General government	\$ 134,097	\$ -	\$ -	\$ -
Public works	<u>88,957</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL TAX INCREMENT				
FINANCE AUTHORITY	<u>\$ 223,054</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Brownfield Redevelopment				
Authority -				
General government	<u>\$ 6,762</u>	<u>\$ -</u>	<u>\$ 6,762</u>	<u>\$ -</u>

General revenues:
 Property taxes, levied for general purposes
 Unrestricted investment earnings
 Miscellaneous
 Transfers

Change in net assets
 Net assets at beginning of year
 Net assets at end of year

The accompanying notes to financial statements
 are an integral part of this statement.

<u>Net (Expenses) Revenues and Changes in Net Assets</u>			
<u>Downtown Development Authority</u>	<u>Tax Increment Finance Authority</u>	<u>Brownfield Redevelopment Authority</u>	<u>Total</u>
(\$ 93,614)	\$ -	\$ -	(\$ 93,614)
(17,317)	-	-	(17,317)
(\$ 110,931)	\$ -	\$ -	(\$ 110,931)
\$ -	(\$ 134,097)	\$ -	(\$ 134,097)
-	(88,957)	-	(88,957)
\$ -	(\$ 223,054)	\$ -	(\$ 223,054)
\$ -	\$ -	\$ -	\$ -
\$ 334,848	\$ 617,923	\$ -	\$ 952,771
6,942	7,749	1	14,692
1,600	-	-	1,600
(88,190)	-	-	(88,190)
\$ 255,200	\$ 625,672	\$ 1	\$ 880,873
\$ 144,269	\$ 402,618	\$ 1	\$ 546,888
(184,240)	2,207,971	15,484	2,039,215
<u>(\$ 39,971)</u>	<u>\$ 2,610,589</u>	<u>\$ 15,485</u>	<u>\$2,586,103</u>

CITY OF HOUGHTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2007

NOTE A - DESCRIPTION OF CITY OPERATIONS

The City was organized on June 8, 1970 and covers an area of approximately 1,869 acres. The City operates under a Council-Manager form of government with an elected council of seven members.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Houghton conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Houghton:

REPORTING ENTITY

The City of Houghton is governed by an elected seven-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. The discretely presented component units are reported in a separate government-wide financial statements to emphasize that column in the they are legally separate from the government (see discussion below for description).

BLENDED COMPONENT UNITS

A blended component unit is a legally separate entity from the City, but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and blended into the appropriate fund types and account groups.

BUILDING AUTHORITY

The Building Authority of the City of Houghton is governed by a five member board appointed by the City Council. It was created to facilitate the issuance of bonded debt. This unit has no day-to-day operations and the debt issued by it is reflected in the government-wide statement of net assets under governmental activities and component units.

DISCRETELY PRESENTED COMPONENT UNITS

The following component units are reported within the "component units" column in the financial statements. A discretely presented component unit is an entity that is legally separate from the City, but for which the City is financially accountable, or its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

The Downtown Development Authority, the Tax Increment Finance Authority and the Brownfield Redevelopment Authority are considered to be component units of the City and their financial statements are presented discretely with the City's. The Downtown Development Authority, the Tax Increment Finance Authority and the Brownfield Redevelopment Authority are governed by the same board. The board consists of nine members which include the City Manager and 8 others that are appointed by the Mayor subject to approval by the City Council.

The Houghton Housing Commission is a component unit of the City of Houghton. It is governed by a five member board appointed by the City Manager. It is audited separately.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

Financial information for the Houghton Housing Commission as of December 31, 2006, the last year that audited financial information is available, is as follows:

Assets:	
Current assets	\$ 290,088
Net fixed assets	<u>1,527,842</u>
Total Assets	<u>\$1,817,930</u>
Liabilities:	
Current liabilities	\$ 59,905
Other	<u>3,221</u>
Total Liabilities	<u>\$ 63,126</u>
Net Assets:	
Investment in capital assets, net of related debt	\$1,527,842
Unrestricted net assets	<u>226,962</u>
Total Net Assets	<u>\$1,754,804</u>
Operating Revenues:	
Tenant revenue	\$ 202,850
Program grants - subsidies	147,922
Other	<u>9,481</u>
Total Operating Revenues	<u>\$ 360,253</u>
Operating Expenses:	
General operations	\$ 366,162
Depreciation	<u>147,918</u>
Total Operating Expenses	<u>\$ 514,080</u>
Operating Income (Loss)	<u>(\$ 153,827)</u>
Other Income (Expenses)	<u>\$ 72,220</u>
Change in Net Assets	<u>(\$ 81,607)</u>
Net Assets, beginning of period	<u>1,836,411</u>
Net Assets, end of period	<u>\$1,754,804</u>

Complete financial information can be obtained by contacting Heritage Manor, Houghton, Michigan 49931.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINTLY GOVERNED ORGANIZATIONS

On January 24, 1964, Portage Lake Water and Sewer Authority entered into a contract with the City of Houghton and the City of Hancock. The contract calls for the acquisition, improvements, enlargements, extension, operation and maintenance of a sewage disposal system. The cost of operations and improvements are divided between the City of Houghton and the City of Hancock on a pro rata basis based upon the percentage use of the plant by each city as measured by the material flow from the pumping station. The Authority is not considered a component unit of either city. The City's investment in the Authority is included in the Sewage Disposal System Fund's financial statements using the cost method of accounting.

Audited financial information for the joint venture as of June 30, 2007:

Total assets	<u>\$10,999,543</u>
Liabilities:	
Current liabilities	\$ 681,894
Long-term liabilities	<u>8,710,800</u>
	\$ 9,392,694
Total net assets	<u>1,606,849</u>
	<u>\$10,999,543</u>
Total revenues	\$ 1,297,981
Total expenditures	<u>2,191,562</u>
	NET INCOME (LOSS) (\$ 893,581)
Depreciation on contributed capital	<u>439,150</u>
	(DECREASE) IN NET ASSETS (<u>\$ 454,431</u>)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government wide financial statements. Individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

FUND ACCOUNTING

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into seven generic fund types and three broad fund categories as follows:

GOVERNMENTAL FUNDS

General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

General Obligation Debt Retirement Fund

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds, Special Assessment Funds, and Trust Funds).

PROPRIETARY FUNDS

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, other governments, and/or other funds. These include the Tax Collection Fund, an Agency Fund; the Employee Retirement Fund, a pension Fund; and the Employee Benefit Fund, a Non-expendable Trust Fund. The Employee Retirement Fund and the Employee Benefit Fund are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical. Trust Funds are accounted for in essentially the same manner as governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and don't involve measurement of results of operations.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND ACCOUNTING (CONTINUED)

MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned, including unbilled water and sewer services which are accrued, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Governmental Fund Types and Expendable Trust Funds use a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Agency Funds also use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income, and inter-governmental revenues.

Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other Governmental Fund Type revenues are recognized when received.

Property taxes include amounts levied against all real and public utility property and tangible personal property which is used in business located in the City. Taxes are levied on July 1 on the taxable value listed as of the prior January 1. The due date for taxes to be paid without penalty for the summer levy is July 31, the winter levy due date is December 1. All real property taxes remaining unpaid by March 1 are bought by Houghton County. Property tax revenue is recognized as of July 1, when the taxes are levied. In the fund financial statements, any taxes collected before that date are recorded as deferred revenue. Property taxes receivable over 60 days are required to be recorded as deferred revenue in accordance with generally accepted accounting principles for local governments.

Taxable values are established by the City Assessor. A revaluation of all property is required annually. The City's tax rate applicable to 2006 was \$15.00 on each 1,000.00 of tax valuation.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

BANK DEPOSITS AND INVESTMENTS

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments are reported at fair market value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sale price. Investments that do not have an established market are reported at estimated fair value. All investments comply with Michigan Compiled Laws, Section 129.91.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

RECEIVABLES AND PAYABLES

In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". All trade and property tax receivables are shown without an allowance for uncollectible amounts.

INVENTORIES AND PREPAID ITEMS

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

RESTRICTED ASSETS

The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Interest has not been capitalized on fixed assets.

Property, plant, equipment and infrastructure is depreciated using the straight-line method over the following useful lives:

Buildings	40-60 years
Building improvements	15-30 years
Water and sewer lines	10-50 years
Roads	50 years
Other infrastructure	50 years
Vehicles	3-5 years
Office equipment	5-7 years
Computer equipment	3-7 years

LONG-TERM OBLIGATIONS

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

ACCUMULATED EMPLOYEE SICK LEAVE AND VACATION

City employees earn vacation leave, which generally cannot be accumulated. Unused sick leave may be accumulated to a specific maximum amount. In accordance with generally accepted accounting principles an accrual for compensated absences is reflected in the fiduciary fund types financial statements. The amount of current year compensated absences for the City is budgeted annually as an expense in the Employee Benefit Fund. The liability is split between the current and the long-term portion. The current portion is recorded in the Employee Benefit Fund. The long-term portion is recorded in the Government-Wide Statement of Net Assets.

NOTE C - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the City of Houghton to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation, repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The investment policy as required by Act 196 PA 1997 has been adopted by the Council. The City's deposits and investments are in accordance with statutory authority. At June 30, 2007, the City of Houghton's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and cash equivalents	\$ 949,352	\$ 581,476	\$ 372,931	\$1,903,759	\$ 90,800
Investments	321,299	-	3,795,059	4,116,353	-
Restricted assets	-	445,467	-	445,467	-
Total	<u>\$ 1,270,651</u>	<u>\$1,026,943</u>	<u>\$4,167,985</u>	<u>\$6,465,579</u>	<u>\$ 90,800</u>

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosure for deposits at year end are as follows:

	<u>Bank Balances</u>		
<u>Deposits</u>	<u>Primary Government</u>	<u>Component Unit</u>	<u>Total</u>
Insured or collateralized	\$1,990,466	\$ 129,469	\$2,119,935
Uninsured	262,976	-	262,976
Total Deposits	<u>\$2,253,442</u>	<u>\$ 129,469</u>	<u>\$2,382,911</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C - DEPOSITS AND INVESTMENTS (CONTINUED)

At year end, the carrying amount of cash was \$1,799,073 and \$90,800 for the primary government and component units respectively. Deposits totalling \$150,997 are included with Restricted Assets and deposits of \$104,686 are classified as Retirement Account-Cash. Included with Cash was petty cash of \$764. The total carrying amount of deposits in these accounts is \$2,053,992 and \$90,800 for the primary government and component units respectively.

In accordance with GASB Statement No. 3, investments are classified into categories of credit risk as follows:

- Category 1: Insured or collateralized with securities held by the City or its agent in the City's name.
- Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3: Uncollateralized (includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the City's name).

Investment Type

	(1)	(2)	(3)	<u>Reported Amount</u>	<u>Fair Value</u>
Risk-Categorized					
Cash equivalents	\$ 176,457	\$ -	\$ -	\$ 176,457	\$ 176,457
Stocks, bonds and secure mortgages	<u>1,120,074</u>	<u>-</u>	<u>-</u>	<u>1,120,074</u>	<u>1,120,074</u>
	<u>\$1,296,531</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,296,531</u>	<u>\$1,296,531</u>
Nonrisk-Categorized					
Mutual funds				\$3,037,188	\$3,037,188
Annuities				<u>77,102</u>	<u>77,102</u>
				<u>\$3,114,290</u>	<u>\$3,114,290</u>
Total investments				<u>\$4,410,821</u>	<u>\$4,410,821</u>

Investments totalling \$294,470 are included with Restricted Assets. Bonds and secured mortgages, stocks, mutual funds, and annuities are held in the Employee Retirement Fund.

The City of Houghton's General Fund and Water Supply Fund have investments in several money market mutual funds and bonds and secured mortgages. The nature of the mutual funds and annuities does not allow for risk categorization, which is in accordance with GASB Statement No. 3.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D - RECEIVABLES

Receivables as of June 30, 2007 are as follows:

	General Fund	Special Revenue Funds	Capital Projects Fund	Water Fund	Sewer Fund
Taxes receivable	\$ 78,061	\$ -	\$ -	\$ -	\$ -
Accounts	58,571	-	-	102,707	212,030
Long-term loans	65,455	279,686	-	-	-
Intergovernmental	114,729	142,357	-	-	2,055
Grants	-	-	127,500	-	-
Total receivables	<u>\$316,816</u>	<u>\$422,043</u>	<u>\$127,500</u>	<u>\$102,707</u>	<u>\$214,085</u>

	Parking Fund	Transit Fund	Fiduciary Funds	Total
Taxes receivable	\$ -	\$ -	\$ -	\$ 78,061
Accounts	998	9,428	-	383,734
Long-term loans	-	-	33,932	379,073
Intergovernmental	-	2,818	-	261,959
Grants	-	2,107	-	129,607
Total receivables	<u>\$ 998</u>	<u>\$ 14,353</u>	<u>\$ 33,932</u>	<u>\$1,232,434</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Delinquent property taxes	\$ 10,488	\$ -
Long-term loans receivable	345,141	-
Total	<u>\$ 355,629</u>	<u>\$ -</u>

LONG-TERM LOANS RECEIVABLE

The long-term loan receivable in the General Fund is the amount due on an installment sale (\$200,000 original balance, \$65,455 remaining) of a building to U.P. Engineering, Inc.. The agreement calls for 240 monthly payments of \$1,432.90, which includes interest at a rate of 6% per annum.

Long-term loans receivable in the Revolving Fund, totalling \$279,686, consist of loans made to various commercial organizations from funds provided by Urban Development Action Grants and Community Development Block Grants. Interest rates vary from 2% to 4% per annum. Loans are payable over periods ranging from ten to twenty years.

These long-term receivables are offset by a like amount recorded as deferred revenue in each of these funds in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D - RECEIVABLES (CONTINUED)

TRANSIT FUND OPERATING GRANT UNDERPAYMENT (OVERPAYMENT)

a. The City received underpayments (overpayments) of State operating assistance in the current and prior years which have been recorded as a due from (to) State amount on the balance sheet at June 30, 2007. The amount receivable (owed) and the applicable years are as follows:

<u>For Fiscal Year</u>	<u>Due from (to) State</u>
1999-00	(\$ 11,144)
2000-01	(9,896)
2004-05	(7,150)
2005-06	9,551
2006-07	<u>5,660</u>
	<u>(\$ 12,979)</u>

These amounts will be treated as adjustments to future State Assistance Payments.

b. The City has Federal Section 5311 funds receivable and payable from current and prior years operations which have been included as net accounts receivable on the balance sheet at June 30, 2007. The amounts and the applicable years are as follows:

<u>For Fiscal Year</u>	<u>Amount Receivable Payable</u>
1998-99	(\$ 167)
1999-00	(3,070)
2000-01	(72)
2001-02	(28)
2003-04	(654)
2004-05	(2,263)
2005-06	4,268
2006-07	<u>4,804</u>
	<u>\$ 2,818</u>

c. The amount of the 2006-07 State operating assistance receivable (payable) and Federal Section 5311 assistance receivable (payable) above was computed as follows:

	<u>State Operating Assistance</u>	<u>Federal Section 5311 Funds</u>
Maximum allowable per computation	\$ 115,730	\$ 47,945
2006-07 receipts	<u>110,070</u>	<u>43,141</u>
Amount receivable	<u>\$ 5,660</u>	<u>\$ 4,804</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Balance July 1</u>	<u>Addition</u>
Governmental activities:		
Capital assets not being depreciated - land	\$ 691,259	\$ -
Capital assets being depreciated:		
Buildings	\$ 3,702,272	\$ 195,956
Improvements	3,716,701	394,953
Equipment	3,533,917	516,832
Infrastructure	<u>3,743,987</u>	<u>251,850</u>
Total capital assets being depreciated	<u>\$14,696,877</u>	<u>\$1,359,591</u>
Less accumulated depreciation for:		
Buildings	(\$ 590,117)	(\$ 69,995)
Improvements	(2,008,511)	(126,642)
Equipment	(2,297,788)	(276,868)
Infrastructure	<u>(1,420,810)</u>	<u>(100,033)</u>
Total accumulated depreciation	<u>(\$ 6,317,226)</u>	<u>(\$ 573,538)</u>
Total capital assets, being depreciated, net	<u>\$ 8,379,651</u>	<u>\$ 786,053</u>
Governmental activities capital assets, net	<u>\$ 9,070,910</u>	<u>\$ 786,053</u>
Business-type activities:		
Capital assets not being depreciated - PLWSA	\$ 941,313	\$ -
Capital assets being depreciated:		
Buildings	\$ 254,777	\$ -
Improvements	46,143	2,243
Equipment	1,336,433	94,119
Infrastructure	<u>19,004,166</u>	<u>-</u>
Total capital assets being depreciated	<u>\$20,641,519</u>	<u>\$ 96,362</u>
Less accumulated depreciation for:		
Buildings	(\$ 98,563)	(\$ 6,491)
Improvements	(2,192)	(1,170)
Equipment	(1,007,813)	(86,682)
Infrastructure	<u>(9,014,956)</u>	<u>(368,397)</u>
Total accumulated depreciation	<u>(\$10,123,524)</u>	<u>(\$ 462,740)</u>
Total capital assets being depreciated, net	<u>\$10,517,995</u>	<u>(\$ 366,378)</u>
Business-type activities capital assets, net	<u>\$11,459,308</u>	<u>(\$ 366,378)</u>
Component unit activities:		
Capital assets not being depreciated - land	\$ 52,111	\$ -
Capital assets being depreciated:		
Buildings	\$ 608,113	\$ 11,670
Infrastructure	<u>4,480,145</u>	<u>432,543</u>
Total capital assets being depreciated	<u>\$ 5,088,258</u>	<u>\$ 444,213</u>
Less accumulated depreciation for:		
Buildings	(\$ 132,249)	(\$ 12,346)
Infrastructure	<u>(726,642)</u>	<u>(93,928)</u>
Total accumulated depreciation	<u>(\$ 858,891)</u>	<u>(\$ 106,274)</u>
Total capital assets being depreciated, net	<u>\$ 4,229,367</u>	<u>\$ 337,939</u>
Component unit activities capital assets, net	<u>\$ 4,281,478</u>	<u>\$ 337,939</u>

<u>Retirements</u>	<u>Balance June 30,</u>
<u>\$ -</u>	<u>\$ 691,259</u>
\$ -	\$ 3,898,228
-	4,111,654
(202,355)	3,848,394
<u>-</u>	<u>3,995,837</u>
<u>(\$ 202,355)</u>	<u>\$15,854,113</u>
\$ -	(\$ 660,112)
-	(2,135,153)
134,754	(2,439,902)
<u>-</u>	<u>(1,520,843)</u>
<u>\$ 134,754</u>	<u>(\$ 6,756,010)</u>
<u>(\$ 67,601)</u>	<u>\$ 9,098,103</u>
<u>(\$ 67,601)</u>	<u>\$ 9,789,362</u>
<u>\$ -</u>	<u>\$ 941,313</u>
\$ -	\$ 254,777
-	48,386
(109,474)	1,321,078
<u>-</u>	<u>19,004,166</u>
<u>\$ 109,474</u>	<u>\$20,628,407</u>
\$ -	(\$ 105,054)
-	(3,362)
109,474	(985,021)
<u>-</u>	<u>(9,383,353)</u>
<u>\$ 109,474</u>	<u>(\$10,476,790)</u>
<u>\$ -</u>	<u>\$10,151,617</u>
<u>\$ -</u>	<u>\$11,092,930</u>
<u>\$ -</u>	<u>\$ 52,111</u>
\$ -	\$ 619,783
<u>-</u>	<u>4,912,688</u>
<u>\$ -</u>	<u>\$ 5,532,471</u>
\$ -	(\$ 144,595)
<u>-</u>	<u>(820,570)</u>
<u>\$ -</u>	<u>(\$ 965,165)</u>
<u>\$ -</u>	<u>\$ 4,567,306</u>
<u>\$ -</u>	<u>\$ 4,619,417</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental activities:	
General government and administration	\$ 175,361
Public works	47,447
Public safety	303,388
Recreation and parks	<u>47,342</u>
Total depreciation expense - Governmental activities	<u>\$ 573,538</u>
Business-type activities:	
Water	\$ 188,413
Sewer	103,009
Parking	108,547
Transit	<u>62,771</u>
Total depreciation expense - Business-type activities	<u>\$ 462,740</u>

NOTE F - INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2007 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 39,935	Parking System	\$ 17,200
		Public Improvement	7,000
		Sewage Disposal	2,035
		Transit	<u>13,700</u>
SUBTOTAL	<u>\$ 39,935</u>	SUBTOTAL	<u>\$ 39,935</u>
Major Street	<u>\$ 3,361</u>	Local Street	<u>\$ 3,361</u>
Revolving	<u>\$ 61,363</u>	Public Improvement	<u>\$ 61,363</u>
Public Improvement	<u>\$ 50,794</u>	Parking System	<u>\$ 50,794</u>
Water	<u>\$ 652</u>	General	<u>\$ 652</u>
Sewage Disposal	\$ 33,818	Equipment	\$ 29,607
		Water	<u>4,210</u>
SUBTOTAL	<u>\$ 33,817</u>	SUBTOTAL	<u>\$ 33,817</u>
Equipment	\$ 558,372	General	\$ 47,506
		Transit	1,485
		Water	44,435
		Major Street	131,605
		Local Street	134,913
		Public Improvement	1,698
		Parking System	<u>196,730</u>
SUBTOTAL	<u>\$ 558,372</u>	SUBTOTAL	<u>\$ 558,372</u>
TOTALS	<u>\$ 748,294</u>	TOTALS	<u>\$ 748,294</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

Short-term amounts owed between funds are classified as "Due to/from other funds".

The amounts of receivables and payables between primary government and component units at June 30, 2007 are as follows:

	<u>Receivable from Primary Government</u>	<u>Payable to Primary Government</u>		<u>Receivable from Component Unit</u>	<u>Payable to Component Unit</u>
Downtown Development Authority - General	\$ 1,536	\$ 142	Tax Collection Equipment	\$ - 142	\$ 1,536 -
	<u>\$ 1,536</u>	<u>\$ 142</u>		<u>\$ 142</u>	<u>\$ 1,536</u>
Tax Increment Finance Authority - General	\$ 78,769	\$ 13,258	Local Street Public Improvement Tax Collection Equipment	\$ 6,712 - - 6,518	\$ - 78,769 - -
	<u>\$ 78,769</u>	<u>\$ 13,258</u>		<u>\$ 13,258</u>	<u>\$ 78,769</u>
Brownfield Redevelopment Authority - General	\$ 15,383	\$ -	General	\$ -	\$ 15,383
TOTALS	<u>\$ 95,688</u>	<u>\$ 13,400</u>	TOTALS	<u>\$ 13,400</u>	<u>\$ 95,688</u>

NOTE G - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

	<u>Governmental</u>	<u>Business- Type</u>
At June 30, 2007 bonds payable consisted of the following individual issues:		
Water supply and sewage disposal system revenue bonds dated March 9, 1978, mature annually on February 1, 2008 through February 1, 2017, with interest at 5.00% per annum.	\$ -	\$ 86,000
Water supply and sewage disposal system revenue bonds dated March 6, 1980, mature annually on May 1, 2008 through May 1, 2019, with interest at 5.00 % per annum.	-	157,000
Water supply and sewage disposal system bonds dated December 1, 1996, mature annually on September 1, 2007 through September 1, 2017, with interest at 5.4525% per annum.	-	325,000
Water supply and sewage disposal system Junior Lien bonds dated October 18, 1995, mature annually on September 1, 2007 though September 1, 2035, with interest at 4.50% per annum.	-	3,984,000
Water supply and sewage disposal system Junior Lien bonds dated December 1, 1996, mature annually on September 1, 2007 through September 1, 2036, with interest at 4.50% per annum.	-	159,000
Sewage disposal limited tax general obligation bonds dated April 1, 1997, mature annually on October 1, 2007 through October 1, 2012.	-	185,000
Building Authority limited tax general obligation bonds dated September 1, 1997, mature annually on October 1, 2007 through October 1, 2017.	395,000	-
Limited tax general obligation bonds dated July 19, 2005, mature annually on November 1, 2007 through November 1, 2034, with interest at 4.25% per annum.	<u>1,965,000</u>	<u>-</u>
Total bonds payable	<u>\$ 2,360,000</u>	<u>\$4,896,000</u>

INSTALLMENT NOTE

1999 Rural Development Service Installment note dated April 21, 1999, matures annually on March 1, 2008 through March 1, 2014 with interest at 4.75% per annum.	\$ 80,000	\$ -
2006 Rural Development Service Installment note, matures annually on July 1, 2007 through July 1, 2021 with interest at 4.25% per annum.	<u>193,000</u>	<u>-</u>
	<u>\$ 273,000</u>	<u>\$ -</u>

INSTALLMENT PURCHASE CONTRACTS

Building improvement installment contract with monthly payments of \$4,749.57 including interest beginning December 30, 2006 through May 30, 2021 with interest at 4.60% per annum, financed through Honeywell Global Finance, LLC.	\$ 571,334	\$ -
Ford Ranger Pickup loan with monthly payments of \$392.55 including interest through October, 2008 with interest at 3.0% per annum, financed through Wells Fargo Bank, a financial institution.	<u>6,524</u>	<u>-</u>
Total installment purchase contracts	<u>\$ 577,858</u>	<u>\$ -</u>

ECONOMIC DEVELOPMENT GRANT LOAN

Michigan CDBG Economic Development Grant Loan	<u>\$ 124,312</u>	<u>\$ -</u>
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The long-term portion of employee compensated absences, totalling \$149,201, and the Keyman Life Insurance retirement annuity, totalling \$37,045 are both paid through the Employee Benefits fund, and reported as governmental activity in the Government-Wide Statement of Net Assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2007, are as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 147,699	\$ 146,683	\$ 115,000	\$ 224,771
2009	179,327	133,386	122,000	218,972
2010	183,764	125,112	129,000	212,869
2011	167,090	117,305	135,000	206,361
2012	145,514	110,547	148,000	199,289
2013	128,644	104,558	154,000	191,686
2014	156,282	98,101	126,000	184,774
2015	146,221	90,770	135,000	178,444
2016	123,252	84,611	139,000	171,736
2017	136,378	78,805	149,000	164,588
2018	138,604	72,614	145,000	157,053
2019	126,935	66,767	121,000	150,701
2020	130,375	61,215	110,000	145,044
2021	133,085	56,519	131,000	139,607
2022-2038	<u>1,292,000</u>	<u>406,109</u>	<u>3,037,000</u>	<u>1,152,310</u>
	<u>\$3,335,170</u>	<u>\$1,753,102</u>	<u>\$4,896,000</u>	<u>\$3,698,205</u>

The individual long-term debt and other general long-term obligations of the City of Houghton and the changes therein, may be summarized as follows:

	<u>Balance</u> <u>06-30-06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06-30-07</u>
<u>ENTERPRISE FUNDS</u>				
<u>REVENUE BONDS</u>				
Water Supply and Sewage Disposal System Bonds(1978)	\$ 93,000	\$ -	\$ 7,000	\$ 86,000
Water Supply and Sewage Disposal System Bonds (1980)	166,000	-	9,000	157,000
Water Supply and Sewage Disposal System Bonds (1996)	340,000	-	15,000	325,000
Junior Lien Water Supply and Sewage System Bonds (1995)	4,032,000	-	48,000	3,984,000
Junior Lien Water Supply and Sewage System Bonds (1997)	161,000	-	2,000	159,000
Sewage System Limited Obligation Revenue Bonds (1997)	<u>210,000</u>	<u>-</u>	<u>25,000</u>	<u>185,000</u>
	<u>\$5,002,000</u>	<u>\$ -</u>	<u>\$ 106,000</u>	<u>\$4,896,000</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

	<u>Balance</u> <u>06-30-06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06-30-07</u>
<u>INTERNAL SERVICE FUND</u>				
<u>INSTALLMENT PURCHASE CONTRACT</u>				
Equipment	\$ 10,597	\$ -	\$ 4,073	\$ 6,524
<u>LIMITED TAX INVESTMENT NOTE</u>				
1999 Rural Development Service Loan	<u>90,000</u>	<u>-</u>	<u>10,000</u>	<u>80,000</u>
	<u>\$ 100,597</u>	<u>\$ -</u>	<u>\$ 14,073</u>	<u>\$ 86,524</u>
<u>LONG-TERM DEBT GROUP OF ACCOUNTS</u>				
<u>GENERAL OBLIGATION BONDS</u>				
Building Authority Bonds (1997)	\$ 450,000	\$ -	\$ 55,000	\$ 395,000
<u>INSTALLMENT PURCHASE CONTRACT</u>				
Building Improvements	590,873	-	19,539	571,334
<u>INSTALLMENT NOTE</u>				
2006 Rural Development Loan	-	193,000	-	193,000
<u>LIMITED TAX GENERAL OBLIGATION BONDS</u>				
Library Bonds	2,000,000	-	35,000	1,965,000
<u>ECONOMIC DEVELOPMENT GRANT LOAN</u>				
Michigan CDBG Economic Development Grant MSC 910052-EDIG (1992) including accrued interest	145,624	-	21,312	124,312
<u>PROMISSORY NOTE</u>				
Retirement annuity	<u>43,692</u>	<u>-</u>	<u>6,647</u>	<u>37,045</u>
	\$ 3,230,189	\$ 193,000	\$ 137,498	\$ 3,285,691
Accrued compensated absences payable	329,896	-	40,070	289,826
Less current portion, included in Employee Benefit Fund	<u>145,621</u>	<u>-</u>	<u>4,996</u>	<u>140,625</u>
	<u>\$ 3,414,464</u>	<u>\$ 193,000</u>	<u>\$ 172,572</u>	<u>\$ 3,434,892</u>
<u>TAX INCREMENT FINANCE AUTHORITY</u>				
<u>TAX INCREMENT REVENUE BONDS</u>				
Walmart Project	\$ 105,483	\$ -	\$ 52,208	\$ 53,275
<u>LIMITED TAX DEVELOPMENT BONDS</u>				
1998 Refunding Bonds	900,000	-	80,000	820,000
1999 Tax Increment Bond	<u>435,000</u>	<u>-</u>	<u>20,000</u>	<u>415,000</u>
	<u>\$ 1,440,483</u>	<u>\$ -</u>	<u>\$ 152,208</u>	<u>\$ 1,288,275</u>
<u>DOWNTOWN DEVELOPMENT AUTHORITY</u>				
<u>LIMITED TAX DEVELOPMENT BONDS</u>				
1994 DDA Projects - including accrued interest	\$ 885,732	\$ -	\$ 39,926	\$ 845,806
1996 Building Authority Bonds	<u>75,000</u>	<u>-</u>	<u>10,000</u>	<u>65,000</u>
	<u>\$ 960,732</u>	<u>\$ -</u>	<u>\$ 49,926</u>	<u>\$ 910,806</u>
<u>BROWNFIELD REDEVELOPMENT AUTHORITY</u>				
<u>TAX INCREMENT REVENUE BONDS</u>				
Former High School Project	<u>\$ 300,512</u>	<u>\$ -</u>	<u>\$ 40,118</u>	<u>\$ 260,394</u>
	<u>\$11,218,788</u>	<u>\$ 193,000</u>	<u>\$ 534,897</u>	<u>\$10,876,891</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

1995 WATER AND SEWAGE SYSTEM JUNIOR LIEN REVENUE BONDS

Water and Sewage System Junior Lien Revenue Bonds (\$4,233,000 authorized, \$3,984,000 outstanding) dated October 18, 1995, mature annually on September 1, 2007 through September 1, 2035, with interest at 4.50% per annum.

<u>Year Ended June 30</u>	<u>September 1</u>		<u>March 1</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	
2008	\$ 50,000	\$ 89,640	\$ 88,515	\$ 228,155
2009	52,000	88,515	87,345	227,860
2010	57,000	87,345	86,062	230,407
2011	57,000	86,062	84,780	227,842
2012	60,000	84,780	83,430	228,210
2013	65,000	83,430	81,967	230,397
2014	70,000	81,968	80,392	232,360
2015	73,000	80,392	78,750	232,142
2016	75,000	78,750	77,063	230,813
2017	80,000	77,063	75,262	232,325
2018	85,000	75,262	73,350	233,612
2019	100,000	73,350	71,100	244,450
2020	105,000	71,100	68,738	244,838
2021	127,000	68,738	65,880	261,618
2022	135,000	65,880	62,842	263,722
2023	142,000	62,842	59,648	264,490
2024	149,000	59,648	56,295	264,943
2025	157,000	56,295	52,762	266,057
2026	164,000	52,762	49,073	265,835
2027	172,000	49,073	45,202	266,275
2028	182,000	45,202	41,108	268,310
2029	190,000	41,108	36,832	267,940
2030	200,000	36,832	32,333	269,165
2031	210,000	32,333	27,607	269,940
2032	222,000	27,607	22,613	272,220
2033	232,000	22,613	17,392	272,005
2034	245,000	17,392	11,880	274,272
2035	258,000	11,880	6,075	275,955
2036	270,000	6,075	-	276,075
	<u>\$3,984,000</u>	<u>\$1,713,937</u>	<u>\$1,624,296</u>	<u>\$7,322,233</u>

WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BONDS OF 1978

Water Supply and Sewage Disposal System Revenue Bonds (denomination \$1,000 each, \$188,000 originally issued, \$86,000 outstanding) dated March 9, 1978, mature annually on February 1, 2008 through February 1, 2017, with interest at 5.00% per annum.

<u>Year ended June 30</u>	<u>August 1</u>	<u>February 1</u>		<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2008	\$ 2,150	\$ 7,000	\$ 2,150	\$ 11,300
2009	1,975	7,000	1,975	10,950
2010	1,800	8,000	1,800	11,600
2011	1,600	8,000	1,600	11,200
2012	1,400	8,000	1,400	10,800
2013	1,200	9,000	1,200	11,400
2014	975	9,000	975	10,950
2015	750	10,000	750	11,500
2016	500	10,000	500	11,000
2017	250	10,000	250	10,500
	<u>\$ 12,600</u>	<u>\$ 86,000</u>	<u>\$ 12,600</u>	<u>\$111,200</u>

Bonds are subject to redemption prior to maturity, at the option of the City, in inverse numerical order, on any interest payment dates, at par and accrued interest to date of redemption, upon thirty days written notice to the registered bond holder.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BONDS, SERIES II OF 1980

Water Supply and Sewage Disposal System Revenue Bonds (denomination \$1,000 each, \$300,000 authorized, \$157,000 outstanding) dated March 6, 1980, mature annually on May 1, 2008 through May 1, 2019, with interest at 5.00% per annum.

<u>Year Ended June 30</u>	<u>November 1</u>		<u>May 1</u>		<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	
2008	\$ 3,925	\$ 10,000	\$ 3,925		\$ 17,850
2009	3,675	10,000	3,675		17,350
2010	3,425	11,000	3,425		17,850
2011	3,150	12,000	3,150		18,300
2012	2,850	12,000	2,850		17,700
2013	2,550	12,000	2,550		17,100
2014	2,250	13,000	2,250		17,500
2015	1,925	14,000	1,925		17,850
2016	1,575	15,000	1,575		18,150
2017	1,200	15,000	1,200		17,400
2018	825	16,000	825		17,650
2019	425	17,000	425		17,850
	<u>\$ 27,775</u>	<u>\$157,000</u>	<u>\$ 27,775</u>		<u>\$212,550</u>

1997 WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM JUNIOR LIEN REVENUE BOND

Water Supply and Sewage Disposal System Junior Lien Revenue Bond (\$180,000 originally issued and \$159,000 outstanding) dated December 1, 1996, mature annually on September 1, 2007 through September 1, 2036, with interest at 4.50% per annum.

<u>Year ended June 30</u>	<u>September 1</u>		<u>March 1</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Interest</u>	
2008	\$ 3,000	\$ 3,607	\$3,491		\$ 10,098
2009	3,000	3,529	3,414		9,943
2010	3,000	3,471	3,347		9,818
2011	3,000	3,403	3,280		9,683
2012	3,000	3,335	3,222		9,557
2013	3,000	3,258	3,146		9,404
2014	4,000	3,199	3,057		10,256
2015	3,000	3,108	2,990		9,098
2016	4,000	3,040	2,909		9,949
2017	4,000	2,941	2,812		9,753
2018	4,000	2,858	2,723		9,581
2019	4,000	2,768	2,633		9,401
2020	5,000	2,677	2,529		10,206
2021	4,000	2,556	2,433		8,989
2022	5,000	2,473	2,321		9,794
2023	5,000	2,359	2,209		9,568
2024	5,000	2,246	2,103		9,349
2025	6,000	2,127	1,963		10,090
2026	6,000	1,996	1,830		9,826
2027	6,000	1,860	1,696		9,556
2028	6,000	1,724	1,566		9,290
2029	7,000	1,584	1,405		9,989
2030	7,000	1,429	1,250		9,679
2031	7,000	1,270	1,094		9,364
2032	8,000	1,112	917		10,029
2033	8,000	928	736		9,664
2034	8,000	749	557		9,306
2035	9,000	567	357		9,924
2036	9,000	363	157		9,520
2037	7,000	158	-		7,158
	<u>\$159,000</u>	<u>\$ 66,695</u>	<u>\$ 62,147</u>		<u>\$287,842</u>

Principal installments of this bond are subject to prepayment prior to maturity, in inverse chronological order, at the City's option, on any interest payment date on or after September 1, 1997, at par and accrued interest to the date fixed for prepayment.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BONDS OF 1996

Water Supply and Sewage Disposal System Bonds (denomination \$1,000 each, \$400,000 originally issued, and \$325,000 outstanding), dated December 1, 1996, mature annually on September 1, 2007 through September 1, 2017, with interest at 5.4525% per annum.

<u>Year Ended June 30</u>	<u>Principal</u>	<u>September 1</u>		<u>March 1</u>
		<u>Interest</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 20,000	\$ 9,141	\$ 8,636	\$ 37,777
2009	20,000	8,636	8,121	36,757
2010	20,000	8,121	7,596	35,717
2011	25,000	7,596	6,928	39,524
2012	30,000	6,928	6,110	43,038
2013	30,000	6,110	5,277	41,387
2014	30,000	5,278	4,430	39,708
2015	35,000	4,430	3,424	42,854
2016	35,000	3,424	2,400	40,824
2017	40,000	2,400	1,210	43,610
2018	40,000	1,210	-	41,210
	<u>\$325,000</u>	<u>\$ 63,274</u>	<u>\$ 54,132</u>	<u>\$442,406</u>

Bonds maturing through 2006 are not subject to redemption prior to maturity. Bonds maturing 2007 through 2017 are subject to redemption prior to maturity at the option of the City on any interest payment date on or after September 1, 2006.

1997 LIMITED TAX GENERAL OBLIGATION BONDS

Limited Tax General Obligation Bonds (\$360,000 originally issued and \$185,000 outstanding), dated April 1, 1997, mature annually on October 1, 2007 through October 1, 2012.

<u>Year ended June 30</u>	<u>Interest Rate</u>	<u>October 1</u>		<u>April 1</u>	<u>Total</u>
		<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	
2008	5.35	\$ 25,000	\$ 5,130	\$ 4,461	\$ 34,591
2009	5.40	30,000	4,461	3,651	38,112
2010	5.50	30,000	3,651	2,826	36,477
2011	5.60	30,000	2,826	1,986	34,812
2012	5.65	35,000	1,986	998	37,984
2013	5.70	35,000	998	-	35,998
		<u>\$185,000</u>	<u>\$ 19,052</u>	<u>\$ 13,922</u>	<u>\$217,974</u>

Bonds maturing in the years through 2008, shall be subject to redemption prior to maturity, at the option of the City, on any interest payment date on or after October 1, 2007, at par and accrued interest plus a premium as follows:

1% of par value on each bond called for redemption from October 1, 2007, but prior to October 1, 2008.

No premiums shall be paid on bonds called for redemption after October 1, 2008.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

1997 BUILDING AUTHORITY AND BUILDING AUTHORITY REFUNDING BONDS

Limited Tax General Obligation Bonds (\$955,000 originally issued and \$395,000 outstanding), dated September 1, 1997, mature annually on October 1, 2007 through October 1, 2017.

<u>Year Ended June 30</u>	<u>Interest Rate</u>	<u>October 1</u>		<u>April 1</u>	<u>Total</u>
		<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	
2008	5.10	\$ 60,000	\$ 10,476	\$ 8,946	\$ 79,422
2009	5.15	60,000	8,946	7,401	76,347
2010	5.20	65,000	7,401	5,711	78,112
2011	5.30	45,000	5,711	4,519	55,230
2012	5.35	15,000	4,519	4,118	23,637
2013	5.40	15,000	4,118	3,713	22,831
2014	5.50	40,000	3,713	2,612	46,325
2015	5.50	40,000	2,612	1,513	44,125
2016	5.50	15,000	1,513	1,100	17,613
2017	5.50	20,000	1,100	550	21,650
2018	5.50	20,000	550	-	20,550
		<u>\$ 395,000</u>	<u>\$ 50,659</u>	<u>\$ 40,183</u>	<u>\$ 485,842</u>

Bonds of this issue maturing through 2007, are not subject to redemption prior to maturity.

Bonds or portions of bonds in multiples of \$5,000 of this issue maturing on or after October 1, 2008, are subject to redemption prior to maturity, at the option of the Authority, in such order of maturity as the Authority shall determine and within any maturity by lot, on any interest payment date on or after October 1, 2007, at par plus accrued interest to the date fixed for redemption.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

2005 GENERAL OBLIGATION LIMITED TAX BONDS

Limited Tax General Obligation Bonds (\$2,015,000 originally issued and \$1,965,000 outstanding), dated July 19, 2005, mature annually on November 1, 2007 through November 1, 2034 with an interest rate of 4.125% per annum.

<u>Year Ended June 30</u>	<u>November 1</u>		<u>May 1</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	
2008	\$ 35,000	\$ 40,528	\$ 39,806	\$ 115,334
2009	40,000	39,806	38,981	118,787
2010	40,000	38,981	38,156	117,137
2011	40,000	38,156	37,331	115,487
2012	45,000	37,331	36,403	118,734
2013	45,000	36,403	35,475	116,878
2014	50,000	35,475	34,444	119,919
2015	50,000	34,444	33,412	117,856
2016	50,000	33,412	32,381	115,793
2017	55,000	32,381	31,247	118,628
2018	55,000	31,247	30,112	116,359
2019	60,000	30,112	28,875	118,987
2020	60,000	28,875	27,638	116,513
2021	65,000	27,638	26,297	118,935
2022	70,000	26,297	24,853	121,150
2023	70,000	24,853	23,409	118,262
2024	75,000	23,409	21,863	120,272
2025	75,000	21,863	20,316	117,179
2026	80,000	20,316	18,666	118,982
2027	85,000	18,666	16,913	120,579
2028	85,000	16,913	15,159	117,072
2029	90,000	15,159	13,303	118,462
2030	95,000	13,303	11,344	119,647
2031	100,000	11,344	9,281	120,625
2032	105,000	9,281	7,116	121,397
2033	110,000	7,116	4,847	121,963
2034	115,000	4,847	2,475	122,322
2035	120,000	2,475	-	122,475
	<u>\$1,965,000</u>	<u>\$ 700,631</u>	<u>\$ 660,103</u>	<u>\$3,325,734</u>

Principal installments of this bond are subject to prepayment prior to maturity, in inverse chronological order, at the City's option, on any date on or after November 1, 2005, at par plus accrued interest to the date fixed for prepayment.

1996 BUILDING AUTHORITY BONDS

Building Authority Bonds (\$150,000 originally issued and \$65,000 outstanding) dated October 1, 1996, mature annually on October 1, 2007 through October 1, 2011.

<u>Year ended June 30</u>	<u>Interest Rate</u>	<u>October 1</u>		<u>April 1</u>	<u>Total</u>
		<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	
2008	5.50	\$ 10,000	\$ 1,852	\$ 1,578	\$ 13,430
2009	5.60	10,000	1,578	1,297	12,875
2010	5.70	15,000	1,297	870	17,167
2011	5.75	15,000	870	439	16,309
2012	5.85	15,000	439	-	15,439
		<u>\$ 65,000</u>	<u>\$ 6,036</u>	<u>\$ 4,184</u>	<u>\$ 75,220</u>

Bonds maturing through 2006 are not subject to redemption prior to maturity. Bonds maturing in the year 2007 and thereafter are subject to redemption prior to maturity at the option of the Building Authority on any interest payment date on or after October 1, 2006 at par and accrued interest to the date of redemption.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG TERM DEBT (CONTINUED)

DOWNTOWN DEVELOPMENT BOND (LIMITED TAX GENERAL OBLIGATION)

Downtown Development Authority Bonds (\$412,989 originally issued and \$367,907 outstanding) dated December 21, 1994, mature annually on May 1, 2008, through May 1, 2014.

<u>Year Ended June 30</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>May 1 Interest</u>	<u>Total</u>
2008	6.65	\$ 43,811	\$ 61,189	\$ 105,000
2009	6.75	38,543	61,457	100,000
2010	6.80	35,801	64,199	100,000
2011	6.80	68,644	136,356	205,000
2012	6.85	63,667	141,333	205,000
2013	6.85	60,972	149,028	210,000
2014	6.90	56,469	153,531	210,000
		<u>\$ 367,907</u>	<u>\$ 767,093</u>	<u>\$1,135,000</u>

The Bond is not subject to redemption prior to maturity.

MICHIGAN CDBG ECONOMIC DEVELOPMENT GRANT LOAN

On April 8, 1992 the City of Houghton accepted Michigan CDBG Economic Development Grant MSC 910052-EDIG (\$200,000 received and \$124,312 outstanding as of June 30, 2007) for the Midwest Loan Services, Inc. Commercial Rehabilitation Project. The City must remit two-thirds of the monthly rent payment from Midwest Loan Services, Inc. To the State of Michigan until the entire grant amount, plus 3% annual interest, has been repaid.

INSTALLMENT PURCHASE CONTRACT

Building improvement installment purchase contract with Honeywell Global Finance, LLC. (\$588,617 originally received and \$571,334 outstanding) dated May 30, 2006. Monthly payments of \$4,749.57 beginning December 30, 2006 through May 30, 2021 with interest to accrue at 4.60% per annum.

CITY OF HOUGHTON TAX INCREMENT FINANCE AUTHORITY

TAX INCREMENT REVENUE BOND - WALMART PROJECT

City of Houghton Tax Increment Finance Authority Tax Increment Revenue Bond (\$512,188 originally issued, \$53,275 outstanding) dated June 23, 1993 matures annually on February 15, 2008 through February 15, 2010, with interest at the rate of 6.50% per annum.

The annual installment amount is equal to the greater of eighty percent of the Developer Tax Increment Revenues due to be collected by the Authority during the previous calendar year, or the principal shown on the following schedule of minimum annual installments plus accrued interest:

<u>Year Ended June 30</u>	<u>February 15, Principal</u>
2008	\$ 15,000
2009	20,000
2010	18,275
	<u>\$ 53,275</u>

Annual installments shall be applied first to accrued interest and then principal until the outstanding balance is paid in full.

This bond is subject to prepayment in whole or in part prior to maturity at the option of the Authority on any date at par plus accrued interest to the date of redemption.

This bond is subject to prepayment in whole or in part prior to maturity at the option of the bondholder on a date two years from notice to the Authority that the bondholder reasonably demonstrates that principal of and interest on this Bond can be paid in full within two years from bondholder Tax Increment Revenues to be collected by the Authority during the period of time commencing on the date of said notice and ending on the redemption date.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

CITY OF HOUGHTON TAX INCREMENT FINANCE AUTHORITY

1998 LIMITED TAX DEVELOPMENT REFUNDING BONDS

City of Houghton Tax Incremental Finance Authority Limited Tax Development Refunding Bonds (\$975,000 originally issued and \$820,000 outstanding) dated May 1, 1998 mature annually on November 1, 2007 through November 1, 2014.

<u>Year Ended June 30</u>	<u>Interest Rate</u>	<u>November 1</u>		<u>May 1</u>	<u>Total</u>
		<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	
2008	4.80	\$ 85,000	\$ 20,503	\$ 18,464	\$ 123,967
2009	4.80	90,000	18,464	16,304	124,768
2010	5.00	90,000	16,304	14,054	120,358
2011	5.00	100,000	14,054	11,553	125,607
2012	5.00	105,000	11,553	8,929	125,482
2013	5.05	110,000	8,929	6,151	125,080
2014	5.10	115,000	6,151	3,219	124,370
2015	5.15	125,000	3,219	-	128,219
		<u>\$ 820,000</u>	<u>\$ 99,177</u>	<u>\$ 78,674</u>	<u>\$ 997,851</u>

Bonds of this issue are subject to redemption prior to maturity on any date on or after November 1, 2007, in whole or in part without any premium or penalty, plus accrued interest thereon to the date fixed for redemption.

CITY OF HOUGHTON TAX INCREMENT FINANCE AUTHORITY

1999 LIMITED TAX GENERAL OBLIGATION BONDS

City of Houghton Tax Incremental Finance Authority Limited Tax General Obligation Bonds (\$500,000 originally issued, \$415,000 outstanding) dated October 1, 1999, mature annually on May 1, 2008 through May 1, 2019.

<u>Year Ended June 30</u>	<u>Interest Rate</u>	<u>November 1</u>		<u>May 1</u>	<u>Total</u>
		<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2008	5.30	\$ 12,095	\$ 20,000	\$ 12,095	\$ 44,190
2009	5.40	11,565	20,000	11,565	43,130
2010	5.50	11,025	25,000	11,025	47,050
2011	5.60	10,338	25,000	10,337	45,675
2012	5.70	9,638	30,000	9,637	49,275
2013	5.80	8,783	30,000	8,782	47,565
2014	5.90	7,913	35,000	7,912	50,825
2015	5.90	6,880	40,000	6,880	53,760
2016	6.00	5,700	40,000	5,700	51,400
2017	6.00	4,500	45,000	4,500	54,000
2018	6.00	3,150	50,000	3,150	56,300
2019	6.00	1,650	55,000	1,650	58,300
		<u>\$ 93,237</u>	<u>\$415,000</u>	<u>\$ 93,233</u>	<u>\$ 601,470</u>

Bonds of this issue maturing on or before May 1, 2008, shall not be subject to redemption prior to maturity. Bonds or portions of bonds in multiples of \$5,000 of this issue maturing on or after May 1, 2009 shall be subject to redemption without a premium, at the option of the Authority, in such order as the Authority shall determine and within any maturity by lot, on any interest payment date on or after May 1, 2008, at par and accrued interest to the date fixed for redemption.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

1999 RURAL DEVELOPMENT SERVICE INSTALLMENT NOTE (LIMITED TAX GENERAL OBLIGATION)

Installment note (\$145,000 originally issued and \$80,000 outstanding) dated April 21, 1999, mature annually on March 1, 2008 through March 1, 2014 with interest at 4.75% per annum.

<u>Year Ended June 30</u>	<u>September 1</u>	<u>March 1</u>		
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,916	\$ 10,000	\$ 1,890	\$ 13,806
2009	1,672	10,000	1,648	13,320
2010	1,437	11,000	1,413	13,850
2011	1,173	11,000	1,154	13,327
2012	910	12,000	898	13,808
2013	621	13,000	612	14,233
2014	311	13,000	306	13,617
	<u>\$ 8,040</u>	<u>\$ 80,000</u>	<u>\$ 7,921</u>	<u>\$ 95,961</u>

2006 RURAL DEVELOPMENT SERVICE INSTALLMENT NOTE

Installment note (\$193,000 originally received and outstanding) matures annually on July 1, 2007 through July 1, 2021 with interest at the rate of 4.25% per annum.

<u>Year Ended June 30</u>	<u>July 1</u>	<u>January 1</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 9,000	\$ 4,101	\$ 3,910	\$ 17,011
2009	10,000	3,910	3,698	17,608
2010	10,000	3,698	3,485	17,183
2011	11,000	3,485	3,251	17,736
2012	11,000	3,251	3,017	17,268
2013	12,000	3,018	2,763	17,781
2014	12,000	2,763	2,508	17,271
2015	13,000	2,508	2,231	17,739
2016	13,000	2,231	1,955	17,186
2017	14,000	1,955	1,657	17,612
2018	14,000	1,657	1,360	17,017
2019	15,000	1,360	1,041	17,401
2020	16,000	1,041	701	17,742
2021	16,000	701	361	17,062
2022	17,000	361	-	17,361
	<u>\$ 193,000</u>	<u>\$ 36,040</u>	<u>\$ 31,938</u>	<u>\$ 260,978</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

CITY OF HOUGHTON BROWNFIELD REDEVELOPMENT AUTHORITY

TAX INCREMENTAL REVENUE LOAN - FORMER HOUGHTON HIGH SCHOOL PROJECT

City of Houghton Brownfield Redevelopment Authority Tax Incremental Revenue Loan (\$425,000 original proceeds and \$260,394 outstanding principal) dated October 3, 1998, matures annually on October 3, 2007 through October 3, 2012 with interest at the rate of 2.25% per annum. The loan is financed through the Michigan Department of Environmental Quality.

<u>Year Ended June 30</u>	<u>October 3</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2008	\$ 41,021	\$ 5,859	\$ 46,880
2009	41,944	4,936	46,880
2010	42,888	3,992	46,880
2011	43,853	3,027	46,880
2012	44,840	2,040	46,880
2013	45,848	1,032	46,880
	<u>\$ 260,394</u>	<u>\$ 20,886</u>	<u>\$ 281,280</u>

Interest did not accrue between October 3, 1998 and October 3, 2003.

NOTE H - SEGMENT INFORMATION

Generally accepted accounting principles require disclosure of segment information for certain individual Enterprise Funds. The City maintains four Enterprise Funds: the Water Supply Fund, the Sewage Disposal System Fund, the Parking System Fund, and the Transit Fund.

The Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the City is that cost of providing the goods and services to the general public on a continuing basis will be financed or recovered through user charges. The City has four Enterprise Funds as follows:

Water Fund and Sewer Fund - to account for the provision of water and sewer services to the residents of the City. Activities of the funds include administration, operation and maintenance of the water and sewer system and billing and collection activities. The funds also account for the accumulation of resources for, and the payment of, long-term debt principal and interest for Water and Sewer debt. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

Parking Fund - to account for operation of the City's parking decks, including administration, operation and maintenance. The majority of costs are financed through parking fees and fines.

Transit Fund - to account for operation of the City's transit service, including administration, operation and maintenance. Costs are financed through fees charged to users and State and Federal Grants.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H - SEGMENT INFORMATION (CONTINUED)

Selected financial information for business segments of enterprise funds for the year ended June 30, 2007, is presented as follows:

	<u>Water Supply Fund</u>	<u>Sewage Disposal System Fund</u>
<u>CONDENSED STATEMENT OF NET ASSETS</u>		
Assets:		
Current assets	\$ 171,745	\$ 714,330
Interfund receivable	652	33,817
Capital assets	5,723,858	3,006,390
Other assets	<u>404,091</u>	<u>41,376</u>
Total assets	<u>\$6,300,346</u>	<u>\$3,795,913</u>
Liabilities:		
Interfund payables	\$ 48,645	\$ 2,035
Other current liabilities	163,441	58,050
Noncurrent liabilities	<u>4,316,000</u>	<u>465,000</u>
Total liabilities	<u>\$4,528,086</u>	<u>\$ 525,085</u>
Net assets:		
Invested in capital assets, net of related debt	\$1,337,858	\$2,496,390
Restricted for debt service	338,826	32,717
Unrestricted	<u>95,576</u>	<u>741,721</u>
Total net assets	<u>\$1,772,260</u>	<u>\$3,270,828</u>
<u>CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS</u>		
Operating revenues	\$ 923,415	\$1,802,685
Depreciation expense	(188,413)	(103,009)
Other operating expenses	<u>(440,008)</u>	<u>(1,534,046)</u>
Operating income	\$ 294,994	\$ 165,630
Nonoperating revenues (expenses):		
Investment income (loss)	16,775	19,159
Operating grants	-	-
Interest expense	(199,370)	(28,997)
Service grants	-	-
Capital contributions	-	-
Transfers in (out)	<u>-</u>	<u>-</u>
Change in net assets	\$ 112,399	\$ 155,792
Beginning net assets	<u>1,659,861</u>	<u>3,115,036</u>
Ending net assets	<u>\$1,772,260</u>	<u>\$3,270,828</u>
<u>CONDENSED STATEMENT OF CASH FLOWS</u>		
Net cash provided (used) by:		
Operating activities	\$ 478,216	\$ 232,803
Noncapital financing activities	(74,047)	(2,821)
Capital and related financing activities	(357,746)	(83,447)
Investing activities	<u>16,775</u>	<u>19,159</u>
Net increase (decrease)	\$ 63,198	\$ 165,694
Beginning cash and cash equivalents	<u>5,840</u>	<u>334,550</u>
Ending cash and cash equivalents	<u>\$ 69,038</u>	<u>\$ 500,244</u>

<u>Parking System Fund</u>	<u>Transit Fund</u>	<u>Total</u>
\$ 6,645	\$ 20,900	\$ 913,620
-	-	34,469
2,011,174	351,510	11,092,932
-	-	445,467
<u>\$2,017,819</u>	<u>\$ 372,410</u>	<u>\$12,486,488</u>
\$ 264,724	\$ 15,185	\$ 330,589
3,524	21,022	246,037
-	-	4,781,000
<u>\$ 268,248</u>	<u>\$ 36,207</u>	<u>\$ 5,357,626</u>
\$2,011,174	\$ 351,510	\$ 6,196,932
-	-	371,543
(261,603)	(15,307)	560,387
<u>\$1,749,571</u>	<u>\$ 336,203</u>	<u>\$ 7,128,862</u>
\$ 109,883	\$ 106,928	\$ 2,942,911
(108,544)	(62,771)	(462,737)
(185,048)	(387,021)	(2,546,123)
(\$ 183,709)	(\$ 342,864)	(\$ 65,949)
13	15	35,962
-	277,196	277,196
-	(173)	(228,540)
-	(57,464)	(57,464)
-	70,526	70,526
<u>50,000</u>	<u>65,000</u>	<u>115,000</u>
(\$ 133,696)	\$ 12,236	\$ 146,731
<u>1,883,267</u>	<u>323,967</u>	<u>6,982,131</u>
<u>\$1,749,571</u>	<u>\$ 336,203</u>	<u>\$ 7,128,862</u>
(\$ 74,495)	(\$ 289,263)	\$ 347,261
75,889	282,251	281,272
-	4,759	(436,434)
<u>13</u>	<u>15</u>	<u>35,962</u>
\$ 1,407	(\$ 2,238)	\$ 228,061
<u>4,240</u>	<u>8,785</u>	<u>353,415</u>
<u>\$ 5,647</u>	<u>\$ 6,547</u>	<u>\$ 581,476</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H - SEGMENT INFORMATION (CONTINUED)

The balances of the restricted asset accounts in the Enterprise Funds are revenue bond reserves totalling \$445,467.

NOTE I - RISK MANAGEMENT

The City of Houghton is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City of Houghton has purchased commercial insurance for claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE J - PENSION AND POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The City provides pension benefits for all of its full-time employees through a money purchase plan. In a money purchase plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The agreement requires that the City contribute an amount equal to 15.054% of the employee's base salary each month. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested after three years of continuous service. City contributions for, and interest forfeited by, employees who leave employment before the three years of service are used to reduce the City's current period contribution requirement.

The City's total payroll in fiscal year ending June 30, 2007 was \$1,664,493. The City's contributions were calculated using the base salary amount of \$1,292,048. The City made the required contribution of \$194,505.

Plan participants may borrow up to 50% of the amount vested in their plan. Loans must be paid back through payroll check deductions. The length of the loan can vary from one to five years and the interest rate is set by the Pension Board. Interest is currently set at 9.5%. Loans for up to twenty years can be made for the purchase of a new home or to refinance their current home mortgage. The interest rate on these loans is currently set at 7.75%.

NOTE K - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all permanent City employees, permits them to defer until future years up to 33 1/3% of annual gross earnings not to exceed \$7,500. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

The City neither acts as trustee nor has any management involvement in the plan.

The plan does not meet the reporting criteria defined in NCGA Statement 1, paragraph 26 (3) (8), consequently its financial statements are not presented herein.

NOTE L - LITIGATION

The City is involved as a defendant in one civil suit. It is the opinion of management that any loss incurred will be covered by insurance.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HOUGHTON, MICHIGAN
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$1,227,300	\$1,227,300	\$1,123,472	(\$ 103,828)
Licenses and permits	1,150	1,150	6,295	5,145
State grants	864,800	864,800	1,079,034	214,234
Interest	42,000	42,000	59,208	17,208
Charges for services	676,000	676,000	698,650	22,650
Other revenues	55,500	55,500	31,532	(23,968)
TOTAL REVENUES	<u>\$2,866,750</u>	<u>\$2,866,750</u>	<u>\$2,998,191</u>	<u>\$ 131,441</u>
Expenditures:				
General government administration	\$ 671,246	\$ 671,246	\$1,299,424	(\$ 628,178)
Public safety	819,008	819,008	1,059,771	(240,763)
Public works	539,500	539,500	544,888	(5,388)
Recreation and parks	226,860	226,860	257,893	(31,033)
Debt service	25,200	25,200	25,386	(186)
Other expenditures	219,136	219,136	80,452	138,684
TOTAL EXPENDITURES	<u>\$2,500,950</u>	<u>\$2,500,950</u>	<u>\$3,267,814</u>	<u>(\$ 766,864)</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ 365,800</u>	<u>\$ 365,800</u>	<u>(\$ 269,623)</u>	<u>(\$ 635,423)</u>
Other financing sources(uses):				
Proceeds from long-term debt	\$ -	\$ -	\$ 193,000	\$ 193,000
Operating transfers in	-	-	5,700	5,700
Operating transfers out	(365,800)	(365,800)	(386,854)	(21,054)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 365,800)</u>	<u>(\$ 365,800)</u>	<u>(\$ 188,154)</u>	<u>\$ 177,646</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 457,777)</u>	<u>(\$ 457,777)</u>
Fund balance, July 1	<u>1,280,141</u>	<u>1,280,141</u>	<u>1,280,141</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u><u>\$1,280,141</u></u>	<u><u>\$1,280,141</u></u>	<u><u>\$ 822,364</u></u>	<u><u>(\$ 457,777)</u></u>

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN
 MAJOR STREET AND TRUNKLINE MAINTENANCE FUND
 BUDGETARY COMPARISON SCHEDULE
 Year ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
State grants	\$ 445,000	\$ 445,000	\$ 374,624	(\$ 70,376)
Interest and rents	<u>1,600</u>	<u>1,600</u>	<u>6,474</u>	<u>4,874</u>
TOTAL REVENUES	<u>\$ 446,600</u>	<u>\$ 446,600</u>	<u>\$ 381,098</u>	<u>(\$ 65,502)</u>
Expenditures:				
General government administration	\$ 26,765	\$ 26,765	\$ 27,161	(\$ 396)
Public works:				
Street preservation	55,041	55,041	30,826	24,215
Routine maintenance	42,862	42,862	34,931	7,931
Traffic services	3,989	3,989	7,804	(3,815)
Snow and ice control	273,840	273,840	225,990	47,850
Roadway inspections	27,368	27,368	25,339	2,029
Other expenditures	<u>65,000</u>	<u>65,000</u>	<u>-</u>	<u>65,000</u>
TOTAL EXPENDITURES	<u>\$ 494,865</u>	<u>\$ 494,865</u>	<u>\$ 352,051</u>	<u>\$ 142,814</u>
EXCESS OF REVENUES (EXPENDITURES) NOT INCLUDING STATE TRUNK LINE MAINTENANCE	<u>(\$ 48,265)</u>	<u>(\$ 48,265)</u>	<u>\$ 29,047</u>	<u>\$ 77,312</u>
State trunkline maintenance - Excess of revenues (expenditures)	<u>\$ 48,265</u>	<u>\$ 48,265</u>	<u>(\$ 48,544)</u>	<u>(\$ 96,809)</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 19,497)</u>	<u>(\$ 19,497)</u>
Fund balance, July 1	<u>193,683</u>	<u>193,683</u>	<u>193,683</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 193,683</u>	<u>\$ 193,683</u>	<u>\$ 174,186</u>	<u>(\$ 19,497)</u>

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN
LOCAL STREET FUND
BUDGETARY COMPARISON SCHEDULE
Year ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 125,000	\$ 125,000	\$ 134,975	\$ 9,975
State grants	265,000	265,000	225,141	(39,859)
Interest and rents	750	750	3,650	2,900
Other	-	-	3,928	3,928
TOTAL REVENUES	<u>\$ 390,750</u>	<u>\$ 390,750</u>	<u>\$ 367,694</u>	<u>(\$ 23,056)</u>
Expenditures:				
General government administration	\$ 26,379	\$ 26,379	\$ 25,471	\$ 908
Public works:				
Street preservation	41,746	41,746	10,946	30,800
Routine maintenance	71,802	71,802	50,231	21,571
Traffic services	7,483	7,483	35,251	(27,768)
Snow and ice removal	243,340	243,340	212,318	31,022
TOTAL EXPENDITURES	<u>\$ 390,750</u>	<u>\$ 390,750</u>	<u>\$ 334,217</u>	<u>\$ 56,533</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,477</u>	<u>\$ 33,477</u>
Other financing sources (uses) -				
Operating transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES) AND OTHER USES)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,477</u>	<u>\$ 33,477</u>
Fund balance, July 1	<u>42,449</u>	<u>42,449</u>	<u>42,449</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u><u>\$ 42,449</u></u>	<u><u>\$ 42,449</u></u>	<u><u>\$ 75,926</u></u>	<u><u>\$ 33,477</u></u>

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN
 REVOLVING FUND
 BUDGETARY COMPARISON SCHEDULE
 Year ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest and rents	\$ -	\$ -	\$ 11,525	\$ 11,525
Other revenue -				
Loan repayments	<u>27,192</u>	<u>27,192</u>	<u>21,619</u>	(<u>5,573</u>)
TOTAL REVENUES	<u>\$ 27,192</u>	<u>\$ 27,192</u>	<u>\$ 33,144</u>	<u>\$ 5,952</u>
Expenditures:				
General government administration	\$ 650	\$ 650	\$ 1,061	(\$ 411)
Loans and contingencies	<u>-</u>	<u>-</u>	<u>15,000</u>	(<u>15,000</u>)
TOTAL EXPENDITURES	<u>\$ 650</u>	<u>\$ 650</u>	<u>\$ 16,061</u>	(<u>\$ 15,411</u>)
EXCESS OF REVENUES (EXPENDITURES)	\$ 26,542	\$ 26,542	\$ 17,083	(\$ 9,459)
Fund balance, July 1	<u>223,041</u>	<u>223,041</u>	<u>223,041</u>	<u>-</u>
TOTAL FUND BALANCE, JUNE 30	<u>\$249,583</u>	<u>\$249,583</u>	<u>\$240,124</u>	(<u>\$ 9,459</u>)

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year ended June 30, 2007

BUDGETARY INFORMATION

A draft of the budget is prepared by the City Manager. The budget is then finalized during a series of budget work sessions with the City Council. When the budget is finalized, a public hearing is held and the Council adopts the budget legally. This usually occurs in June before the beginning of the fiscal year but the budget may be amended at any time throughout the year. The budget is prepared on a basis that is consistent with generally accepted accounting principles, thus no reconciliation between the budget basis and GAAP basis is necessary.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the City for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2007, the City incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

<u>Fund</u>	<u>Budget Appropriation</u>	<u>Actual Expenditures</u>
General	\$ 2,866,750	\$ 3,654,668
Revolving	650	16,061

ADDITIONAL FINANCIAL INFORMATION

FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS

CITY OF HOUGHTON, MICHIGAN

GENERAL FUND
BALANCE SHEETS

	June 30,	
	2007	2006
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 378,890	\$ 894,963
Accounts receivable	58,571	54,994
Inventory	4,704	3,388
Taxes receivable	78,061	44,964
Due from other governmental units	114,729	103,684
Due from other funds	<u>39,935</u>	<u>38,010</u>
TOTAL CURRENT ASSETS	\$ 674,890	\$1,140,003
<u>OTHER ASSETS</u>		
Long-term loan	\$ 65,455	\$ 78,302
Investments	<u>321,299</u>	<u>325,214</u>
TOTAL OTHER ASSETS	\$ 386,754	\$ 403,516
	<u>\$1,061,644</u>	<u>\$1,543,519</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 75,290	\$ 67,165
Accrued expenses	24,506	23,017
Due to other funds	48,158	70,514
Due to component units	<u>15,383</u>	<u>15,383</u>
TOTAL CURRENT LIABILITIES	\$ 163,337	\$ 176,079
<u>OTHER LIABILITIES</u>		
Deferred revenues	<u>75,943</u>	<u>87,299</u>
TOTAL LIABILITIES	\$ 239,280	\$ 263,378
<u>FUND BALANCE</u>		
Unreserved	\$ 817,660	\$1,276,753
Reserved	<u>4,704</u>	<u>3,388</u>
TOTAL FUND BALANCE	\$ 822,364	\$1,280,141
	<u>\$1,061,644</u>	<u>\$1,543,519</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

Year ended June 30, 2007
With Comparative Actual Amounts for Year Ended June 30, 2006

	<u>2007</u>		<u>2006</u>	
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Taxes	\$1,227,300	\$1,123,472	(\$ 103,828)	\$1,020,890
Licenses and permits	1,150	6,295	5,145	1,090
State grants	864,800	1,079,034	214,234	875,683
Interest	42,000	59,208	17,208	35,921
Charges for services	676,000	698,650	22,650	703,871
Other revenues	55,500	31,532	(23,968)	118,689
TOTAL REVENUES	<u>\$2,866,750</u>	<u>\$2,998,191</u>	<u>\$ 131,441</u>	<u>\$2,756,144</u>
Expenditures:				
General government administration	\$ 671,246	\$1,299,424	(\$ 628,178)	\$ 879,954
Public safety	819,008	1,059,771	(240,763)	757,752
Public works	539,500	544,888	(5,388)	606,379
Recreation and parks	226,860	257,893	(31,033)	2,295,413
Debt service	25,200	25,386	(186)	25,386
Other expenditures	219,136	80,452	138,684	109,285
TOTAL EXPENDITURES	<u>\$2,500,950</u>	<u>\$3,267,814</u>	<u>(\$ 766,864)</u>	<u>\$4,674,169</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ 365,800</u>	<u>(\$ 269,623)</u>	<u>(\$ 635,423)</u>	<u>(\$1,918,025)</u>
Other financing sources (uses):				
Proceeds from long-term debt	\$ -	\$ 193,000	\$ 193,000	\$2,603,617
Operating transfers in	-	5,700	5,700	-
Operating transfers out	(365,800)	(386,854)	(21,054)	(372,237)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 365,800)</u>	<u>(\$ 188,154)</u>	<u>\$ 177,646</u>	<u>\$2,231,380</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>\$ -</u>	<u>(\$ 457,777)</u>	<u>(\$ 457,777)</u>	<u>\$ 313,355</u>
Fund balance, July 1	<u>1,280,141</u>	<u>1,280,141</u>	<u>-</u>	<u>966,786</u>
FUND BALANCE, JUNE 30	<u>\$1,280,141</u>	<u>\$ 822,364</u>	<u>(\$ 457,777)</u>	<u>\$1,280,141</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS

June 30, 2007
With Totals for June 30, 2006

	<u>Totals</u> <u>(Memorandum Only)</u>		<u>Major</u> <u>Street</u> <u>Fund</u>	<u>Local</u> <u>Street</u> <u>Fund</u>	<u>Revolving</u> <u>Fund</u>
	<u>2007</u>	<u>2006</u>			
<u>ASSETS</u>					
Cash	\$ 562,654	\$ 416,202	\$258,230	\$125,663	\$ 178,761
Due from other governmental units	142,357	128,637	54,347	88,010	-
Due from other funds	64,724	68,946	3,361	-	61,363
Due from component units	6,712	6,712	-	6,712	-
Long-term loans	<u>279,686</u>	<u>286,304</u>	<u>-</u>	<u>-</u>	<u>279,686</u>
	<u>\$1,056,133</u>	<u>\$ 906,801</u>	<u>\$315,938</u>	<u>\$220,385</u>	<u>\$ 519,810</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts payable	\$ 11,234	\$ 15,602	\$ 8,081	\$ 3,153	\$ -
Accrued wages and benefits	5,098	5,103	2,066	3,032	-
Due to other funds	269,879	140,619	131,605	138,274	-
Deferred revenue	<u>279,686</u>	<u>286,304</u>	<u>-</u>	<u>-</u>	<u>279,686</u>
TOTAL LIABILITIES	\$ 565,897	\$ 447,628	\$141,752	\$144,459	\$ 279,686
<u>FUND BALANCE (DEFICIT)</u>	<u>490,236</u>	<u>459,173</u>	<u>174,186</u>	<u>75,926</u>	<u>240,124</u>
	<u>\$1,056,133</u>	<u>\$ 906,801</u>	<u>\$315,938</u>	<u>\$200,385</u>	<u>\$ 519,810</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

SPECIAL REVENUE FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

June 30, 2007

With Totals for June 30, 2006

	<u>Totals</u> <u>(Memorandum Only)</u>		<u>Major</u> <u>Street</u> <u>Fund</u>	<u>Local</u> <u>Street</u> <u>Fund</u>	<u>Revolving</u> <u>Fund</u>
	<u>2007</u>	<u>2006</u>			
Revenues:					
Taxes	\$ 134,975	\$ 124,662	\$ -	\$134,975	\$ -
State grants	969,143	1,025,150	744,002	225,141	-
Interest and rents	21,649	15,643	6,474	3,650	11,525
Other revenue	<u>25,547</u>	<u>50,444</u>	<u>-</u>	<u>3,928</u>	<u>21,619</u>
TOTAL REVENUES	<u>\$1,151,314</u>	<u>\$1,215,899</u>	<u>\$750,476</u>	<u>\$367,694</u>	<u>\$ 33,144</u>
Expenditures:					
General government administration	\$ 53,693	\$ 69,576	\$ 27,161	\$ 25,471	\$ 1,061
Public works	1,051,558	966,152	742,812	308,746	-
Loans and contingencies	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
TOTAL EXPENDITURES	<u>\$1,120,251</u>	<u>\$1,035,728</u>	<u>\$769,973</u>	<u>\$334,217</u>	<u>\$ 16,061</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ 31,063</u>	<u>\$ 180,171</u>	<u>(\$ 19,497)</u>	<u>\$ 33,477</u>	<u>\$ 17,083</u>
Other financing sources (uses):					
Operating transfers from other funds	\$ -	\$ 25,000	\$ -	\$ -	\$ -
Operating transfers to other funds	<u>-</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>\$ 31,063</u>	<u>\$ 180,171</u>	<u>(\$ 19,497)</u>	<u>\$ 33,477</u>	<u>\$ 17,083</u>
Fund balance (deficit), July 1	<u>459,173</u>	<u>279,002</u>	<u>193,683</u>	<u>42,449</u>	<u>223,041</u>
FUND BALANCE (DEFICIT), JUNE 30	<u><u>\$ 490,236</u></u>	<u><u>\$ 459,173</u></u>	<u><u>\$174,186</u></u>	<u><u>\$ 75,926</u></u>	<u><u>\$ 240,124</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
MAJOR STREET AND TRUNKLINE MAINTENANCE FUND
BALANCE SHEETS

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash	\$258,230	\$176,829
Due from other governmental units	54,347	52,955
Due from other funds	<u>3,361</u>	<u>7,583</u>
	<u>\$315,938</u>	<u>\$237,367</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 8,081	\$ 6,751
Accrued wages and benefits	2,066	1,969
Due to other funds	<u>131,605</u>	<u>34,964</u>
TOTAL LIABILITIES	\$141,752	\$ 43,684
<u>FUND BALANCE</u>	<u>174,186</u>	<u>193,683</u>
	<u>\$315,938</u>	<u>\$237,367</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

MAJOR STREET AND TRUNKLINE MAINTENANCE FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

Year ended June 30, 2007
With Actual Amounts for Year Ended June 30, 2006

	<u>2007</u>			<u>2006</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
State grants	\$445,000	\$374,624	(\$ 70,376)	\$423,145
Interest and rents	<u>1,600</u>	<u>6,474</u>	<u>4,874</u>	<u>4,654</u>
TOTAL REVENUES	<u>\$446,600</u>	<u>\$381,098</u>	<u>(\$ 65,502)</u>	<u>\$427,799</u>
Expenditures:				
General government administration	\$ 26,765	\$ 27,161	(\$ 396)	\$ 37,008
Public works:				
Street preservation	55,041	30,826	24,215	-
Routine maintenance	42,862	34,931	7,931	45,995
Traffic services	3,989	7,804	(3,815)	4,715
Snow and ice control	273,840	225,990	47,850	221,058
Roadway inspection	27,368	25,339	2,029	24,020
Other expenditures	<u>65,000</u>	<u>-</u>	<u>65,000</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$494,865</u>	<u>\$352,051</u>	<u>\$ 142,814</u>	<u>\$332,796</u>
EXCESS OF REVENUES (EXPENDITURES) NOT INCLUDING STATE TRUNKLINE MAINTENANCE	<u>(\$ 48,265)</u>	<u>\$ 29,047</u>	<u>\$ 77,312</u>	<u>\$ 95,003</u>
State trunkline maintenance -				
Excess of revenues(expenditures)	<u>\$ 48,265</u>	<u>(\$ 48,544)</u>	<u>(\$ 96,809)</u>	<u>\$ 11,925</u>
Other financing sources (uses)-				
Operating transfers out	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 25,000)</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>\$ -</u>	<u>(\$ 19,497)</u>	<u>(\$ 19,497)</u>	<u>\$ 81,928</u>
Fund balance, July 1	<u>193,683</u>	<u>193,683</u>	<u>-</u>	<u>111,755</u>
FUND BALANCE, JUNE 30	<u>\$193,683</u>	<u>\$174,186</u>	<u>(\$ 19,497)</u>	<u>\$193,683</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

LOCAL STREET FUND
BALANCE SHEETS

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash	\$125,663	\$ 77,695
Due from component unit	6,712	6,712
Due from other governmental units	<u>88,010</u>	<u>75,682</u>
	<u>\$220,385</u>	<u>\$160,089</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 3,153	\$ 8,851
Accrued wages and benefits	3,032	3,134
Due to other funds	<u>138,274</u>	<u>105,655</u>
TOTAL LIABILITIES	\$144,459	\$117,640
<u>FUND BALANCE</u>	<u>75,926</u>	<u>42,449</u>
	<u>\$220,385</u>	<u>\$160,089</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

LOCAL STREET FUND
 STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL

Year ended June 30, 2007
 With Actual Amounts for Year Ended June 30, 2006

	<u>2007</u>			<u>2006</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Taxes	\$125,000	\$134,975	\$ 9,975	\$124,662
State grants	265,000	225,141	(39,859)	259,659
Interest and rents	750	3,650	2,900	2,690
Other	-	3,928	3,928	1,371
TOTAL REVENUES	<u>\$390,750</u>	<u>\$367,694</u>	<u>(\$ 23,056)</u>	<u>\$388,382</u>
Expenditures:				
General government administration	\$ 26,379	\$ 25,471	\$ 908	\$ 31,407
Public works:				
Street preservation	41,746	10,946	30,800	-
Routine maintenance	71,802	50,231	21,571	81,342
Traffic services	7,483	35,251	(27,768)	12,943
Snow and ice control	243,340	212,318	31,022	245,658
TOTAL EXPENDITURES	<u>\$390,750</u>	<u>\$334,217</u>	<u>\$ 56,533</u>	<u>\$371,350</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ -</u>	<u>\$ 33,477</u>	<u>\$ 33,477</u>	<u>\$ 17,032</u>
Other financing sources(uses) -				
Operating transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,000</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>\$ -</u>	<u>\$ 33,477</u>	<u>\$ 33,477</u>	<u>\$ 42,032</u>
Fund balance, July 1	<u>42,449</u>	<u>42,449</u>	<u>-</u>	<u>417</u>
FUND BALANCE, JUNE 30	<u><u>\$ 42,449</u></u>	<u><u>\$ 75,926</u></u>	<u><u>\$ 33,477</u></u>	<u><u>\$ 42,449</u></u>

The accompanying notes to financial statements
 are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

REVOLVING FUND
BALANCE SHEETS

<u>June 30,</u>	
<u>2007</u>	<u>2006</u>

ASSETS

Cash	\$ 178,761	\$ 161,678
Due from other funds	61,363	61,363
Long-term loans	<u>279,686</u>	<u>286,304</u>
	<u>\$ 519,810</u>	<u>\$ 509,345</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Deferred revenue	\$ 279,686	\$ 286,304
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FUND BALANCE

<u>240,124</u>	<u>223,041</u>
<u>\$ 519,810</u>	<u>\$ 509,345</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

REVOLVING FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

Year ended June 30, 2007
With Actual Amounts for Year Ended June 30, 2006

	<u>2007</u>			<u>2006</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Interest and rents	\$ -	\$ 11,525	\$ 11,525	\$ 8,299
Other revenue -				
Loan repayments	<u>27,192</u>	<u>21,619</u>	<u>(5,573)</u>	<u>49,073</u>
TOTAL REVENUES	<u>\$ 27,192</u>	<u>\$ 33,144</u>	<u>\$ 5,952</u>	<u>\$ 57,372</u>
Expenditures:				
General government administration	\$ 650	\$ 1,061	(\$ 411)	\$ 1,161
Loans and contingencies	<u>-</u>	<u>15,000</u>	<u>(15,000)</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 650</u>	<u>\$ 16,061</u>	<u>(\$ 15,411)</u>	<u>\$ 1,161</u>
EXCESS OF REVENUES (EXPENDITURES)	\$ 26,542	\$ 17,083	(\$ 9,459)	\$ 56,211
Fund Balance, July 1	<u>223,041</u>	<u>223,041</u>	<u>-</u>	<u>166,830</u>
TOTAL FUND BALANCE, JUNE 30	<u><u>\$249,583</u></u>	<u><u>\$240,124</u></u>	<u><u>(\$ 9,459)</u></u>	<u><u>\$223,041</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
CAPITAL PROJECTS FUND - PUBLIC IMPROVEMENT FUND
BALANCE SHEETS

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash	\$ 2,422	\$ 178,887
Grants receivable	127,500	81,984
Due from other funds	<u>50,794</u>	<u>72,245</u>
	<u>\$ 180,716</u>	<u>\$ 333,116</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 492	\$ 98,104
Accrued salaries and benefits	2,637	3,967
Due to other funds	70,061	61,363
Due to component units	<u>78,769</u>	<u>88,769</u>
TOTAL LIABILITIES	\$ 151,959	\$ 252,203
<u>FUND BALANCE</u>	<u>28,757</u>	<u>80,913</u>
	<u>\$ 180,716</u>	<u>\$ 333,116</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
CAPITAL PROJECTS FUND - PUBLIC IMPROVEMENT FUND
ANALYSES OF CHANGES IN FUND BALANCE

	<u>Year ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Fund balance, July 1	\$ 80,913	\$ 40,588
Revenues for capital outlay:		
Grants	75,416	81,984
Miscellaneous	<u>2,974</u>	<u>5,956</u>
TOTAL AVAILABLE FOR CAPITAL OUTLAY	<u>\$ 159,303</u>	<u>\$ 128,528</u>
Expenditures for capital outlay:		
East Houghton Waterfront Docks	\$ 215	\$ 79,710
Nara Nature Park Phase II	-	1,778
Nara Nature Park Phase III	16,974	18,031
College Avenue Park	-	2,850
Downtown Signage	-	567
Water Plant Dock	1,618	-
Woodhaven Park and Pond	20,302	-
East Houghton Waterfront Pavilion	212,741	113,968
General Administration	<u>42,496</u>	<u>38,211</u>
TOTAL EXPENDITURES	<u>\$ 294,346</u>	<u>\$ 255,115</u>
	(\$ 135,043)	(\$ 126,587)
Other financing sources (uses) -		
Operating transfers from other funds	<u>163,800</u>	<u>207,500</u>
FUND BALANCE, JUNE 30	<u><u>\$ 28,757</u></u>	<u><u>\$ 80,913</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
DEBT SERVICE FUNDS
COMBINING BALANCE SHEETS
June 30, 2007
With Totals for June 30, 2006

	Totals (Memorandum Only)		1997 Building Authority Bonds	2005 Limited Tax General Obligation Bonds
	<u>2007</u>	<u>2006</u>		
<u>ASSETS</u>				
Cash	\$ <u>4,915</u>	\$ <u>4,915</u>	\$ <u>115</u>	\$ <u>4,800</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund Equity	<u>4,915</u>	<u>4,915</u>	<u>115</u>	<u>4,800</u>
	\$ <u>4,915</u>	\$ <u>4,915</u>	\$ <u>115</u>	\$ <u>4,800</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

DEBT SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND FUND EQUITY
Year ended June 30, 2007
With Totals for June 30, 2006

	<u>Totals</u> <u>(Memorandum Only)</u>		<u>1997</u> <u>Building</u> <u>Authority</u> <u>Bonds</u>	<u>2005</u> <u>Limited Tax</u> <u>eneral</u> <u>Obligation</u> <u>Bonds</u>
	<u>2007</u>	<u>2006</u>		
Revenues:				
Contributions from other funds	\$135,916	\$ 78,454	\$ 19,138	\$ 116,778
Contributions from component units	<u>58,190</u>	<u>91,209</u>	<u>58,190</u>	<u>-</u>
	<u>\$194,106</u>	<u>\$ 169,663</u>	<u>\$ 77,328</u>	<u>\$ 116,778</u>
Expenditures:				
Redemption of serial bonds	\$ 90,000	\$ 100,000	\$ 55,000	\$ 35,000
Interest on bonds	<u>104,106</u>	<u>64,863</u>	<u>22,328</u>	<u>81,778</u>
TOTAL EXPENDITURES	<u>\$194,106</u>	<u>\$ 164,863</u>	<u>\$ 77,328</u>	<u>\$ 116,778</u>
EXCESS OF REVENUES	\$ -	\$ 4,800	\$ -	\$ -
Fund equity, July 1	<u>4,915</u>	<u>115</u>	<u>115</u>	<u>4,800</u>
FUND EQUITY, JUNE 30	<u><u>\$ 4,915</u></u>	<u><u>\$ 4,915</u></u>	<u><u>\$ 115</u></u>	<u><u>\$ 4,800</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

WATER SUPPLY FUND
BALANCE SHEETS

	June 30,	
	2007	2006
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 69,038	\$ 5,840
Accounts receivable	102,707	91,741
Due from other funds	652	-
TOTAL CURRENT ASSETS	<u>\$ 172,397</u>	<u>\$ 97,581</u>
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Water distribution system	\$9,385,371	\$9,372,444
Less accumulated depreciation	<u>3,661,513</u>	<u>3,473,100</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT	<u>\$5,723,858</u>	<u>\$5,899,344</u>
<u>OTHER ASSETS</u>		
Restricted assets:		
Water Bond Reserve Account:		
Cash	\$ 859	\$ 1,226
Investments	29,438	28,903
Junior Lien Bond Reserve Account:		
Cash	16,661	16,880
Investments	235,732	233,176
Junior Lien Bond and Interest Redemption Account	121,021	45,047
1978 Water/Sewer Revenue Bonds - Debt Service Account	28	28
1980 Water/Sewer Revenue Bonds - Debt Service Account	194	194
1995 Water Project - Debt Service Account	119	119
1996 Water Completion - Debt Service Account	<u>39</u>	<u>39</u>
TOTAL OTHER ASSETS	<u>\$ 404,091</u>	<u>\$ 325,612</u>
	<u>\$6,300,346</u>	<u>\$6,322,537</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 23,955	\$ 21,119
Accrued wages and benefits	4,221	1,282
Accrued interest expense	65,265	66,235
Due to other funds	48,645	122,040
Current maturities on long-term debt	<u>70,000</u>	<u>66,000</u>
TOTAL CURRENT LIABILITIES	<u>\$ 212,086</u>	<u>\$ 276,676</u>
<u>LONG-TERM DEBT</u>		
Bonds payable	\$4,386,000	\$4,452,000
Less current maturities	<u>70,000</u>	<u>66,000</u>
TOTAL LONG-TERM DEBT	<u>\$4,316,000</u>	<u>\$4,386,000</u>
TOTAL LIABILITIES	<u>\$4,528,086</u>	<u>\$4,662,676</u>
<u>FUND EQUITY</u>		
Contributed capital	\$ 344,945	\$ 358,380
Retained earnings	<u>1,427,315</u>	<u>1,301,481</u>
TOTAL FUND EQUITY	<u>\$1,772,260</u>	<u>\$1,659,861</u>
	<u>\$6,300,346</u>	<u>\$6,322,537</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
WATER SUPPLY FUND
STATEMENTS OF REVENUES AND EXPENSES

	<u>Year ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Operating revenues:		
Water sales	\$ 877,713	\$ 684,084
Repairs and new customer installations	13,500	13,098
Other revenue	<u>32,202</u>	<u>23,304</u>
TOTAL OPERATING REVENUES	<u>\$ 923,415</u>	<u>\$ 720,486</u>
Operating expenses:		
Source of water	\$ 215,234	\$ 187,938
Meter expenses	13,515	5,891
Customer installations	33,732	15,897
Maintenance of the water supply system, hydrants, and structure	77,598	117,551
Laboratory and office expense	45,512	38,998
Meter reading	13,734	16,104
Engineering and supervision	36,951	27,925
Other	<u>3,732</u>	<u>3,588</u>
	\$ 440,008	\$ 413,892
Depreciation expense	<u>188,413</u>	<u>186,825</u>
TOTAL OPERATING EXPENSES	<u>\$ 628,421</u>	<u>\$ 600,717</u>
NET OPERATING INCOME (LOSS)	<u>\$ 294,994</u>	<u>\$ 119,769</u>
Non-operating revenues - Interest	<u>\$ 16,775</u>	<u>\$ 6,181</u>
Non-operating expenses - Interest	<u>\$ 199,370</u>	<u>\$ 202,301</u>
NET INCOME (LOSS)	<u><u>\$ 112,399</u></u>	<u><u>(\$ 76,351)</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
WATER SUPPLY FUND
ANALYSES OF CHANGES IN FUND EQUITY

	<u>Year ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
<u>CONTRIBUTED CAPITAL</u>		
Federal grants for construction:		
Balance, July 1	\$ 272,300	\$ 282,025
Less depreciation attributable to capital grants	<u>9,725</u>	<u>9,725</u>
Balance, June 30	<u>\$ 262,575</u>	<u>\$ 272,300</u>
State grants for construction:		
Balance, July 1	\$ 73,938	\$ 77,142
Less depreciation attributable to capital grants	<u>3,204</u>	<u>3,204</u>
Balance, June 30	<u>\$ 70,734</u>	<u>\$ 73,938</u>
Local grants for construction - MTU:		
Balance, July 1	\$ 3,996	\$ 4,162
Less depreciation attributable to capital grants	<u>166</u>	<u>166</u>
Balance, June 30	<u>\$ 3,830</u>	<u>\$ 3,996</u>
Capital contributed by other funds -		
Public Improvement Fund:		
Balance, July 1	\$ 8,146	\$ 8,486
Less depreciation attributable to capital grants	<u>340</u>	<u>340</u>
Balance, June 30	<u>\$ 7,806</u>	<u>\$ 8,146</u>
CONTRIBUTED CAPITAL, JUNE 30	<u>\$ 344,945</u>	<u>\$ 358,380</u>
<u>RETAINED EARNINGS</u>		
Balance, July 1	<u>\$1,301,481</u>	<u>\$1,364,397</u>
Add (subtract):		
Net income (loss) for the year	\$ 112,399	(\$ 76,351)
Depreciation attributable to capital grants	<u>13,435</u>	<u>13,435</u>
	<u>\$ 125,834</u>	<u>(\$ 62,916)</u>
RETAINED EARNINGS, JUNE 30	<u>\$1,427,315</u>	<u>\$1,301,481</u>
FUND EQUITY, JUNE 30	<u>\$1,772,260</u>	<u>\$1,659,861</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

WATER SUPPLY FUND
STATEMENTS OF CASH FLOWS

	<u>Year ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from customers	\$ 912,449	\$ 717,528
Payments to suppliers	(253,661)	(233,286)
Payments to employees	(180,572)	(184,508)
Net cash provided (used) by operating activities	<u>\$ 478,216</u>	<u>\$ 299,734</u>
Cash flows from noncapital financing activities:		
(Increase) decrease in due from other funds	(\$ 652)	\$ -
Increase (decrease) in due to other funds and component units	<u>\$ 73,395</u>	<u>\$ 5,854</u>
Net cash flows from noncapital financing activities	<u>(\$ 74,047)</u>	<u>(\$ 5,854)</u>
Cash flows from capital and related financing activities:		
Acquisition of property, plant, and equipment	(\$ 12,927)	(\$ 56,132)
Issuance (reduction) of long-term debt	(66,000)	(53,000)
(Increase) decrease in restricted assets	(78,479)	2,645
Interest paid on long-term debt	(200,340)	(203,072)
Net cash provided (used) by capital and related financing activities	<u>(\$ 357,746)</u>	<u>(\$ 309,559)</u>
Cash flows from investing activities - Interest received	<u>\$ 16,775</u>	<u>\$ 6,181</u>
Net increase (decrease) in cash and cash equivalents	\$ 63,198	(\$ 9,498)
Cash - beginning of year	<u>5,840</u>	<u>15,338</u>
Cash - end of year	<u><u>\$ 69,038</u></u>	<u><u>\$ 5,840</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 294,994	\$ 119,769
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	188,413	186,825
Changes in assets and liabilities:		
Receivables	(10,966)	(2,958)
Accounts and other payables	2,836	3,112
Accrued expenses	<u>2,939</u>	<u>(7,014)</u>
Net cash provided by operating activities	<u><u>\$ 478,216</u></u>	<u><u>\$ 299,734</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
SEWAGE DISPOSAL SYSTEM FUND
BALANCE SHEETS

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 500,244	\$ 334,550
Accounts receivable	212,031	191,162
Due from other funds	33,817	28,961
Due from other governmental units	2,055	-
TOTAL CURRENT ASSETS	<u>\$ 748,147</u>	<u>\$ 554,673</u>
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Underground sewage collection system	\$5,522,182	\$5,509,531
Less accumulated depreciation	<u>3,457,105</u>	<u>3,354,096</u>
	\$2,065,077	\$2,155,435
Original investment in Portage Lake Water and Sewer Authority	<u>941,313</u>	<u>941,313</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT	<u>\$3,006,390</u>	<u>\$3,096,748</u>
<u>OTHER ASSETS</u>		
Restricted assets:		
1996 Sewer Bond Reserve Accounts:		
Cash	\$ 29,300	\$ 25,433
Investments	11,804	14,452
Restricted cash - 1996 Sewer Disposal Bonds		
Debt Service account	100	100
Restricted cash - 1997 Limited General Obligation		
Bond Debt Service account	<u>172</u>	<u>172</u>
TOTAL OTHER ASSETS	<u>\$ 41,376</u>	<u>\$ 40,157</u>
	<u>\$3,795,913</u>	<u>\$3,691,578</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 4,391	\$ 13,892
Accrued interest expense	8,659	9,239
Accrued wages and benefits	-	2,188
Due to other funds	2,035	-
Due to other governmental units	-	1,223
Current maturities on long-term debt	<u>45,000</u>	<u>40,000</u>
TOTAL CURRENT LIABILITIES	<u>\$ 60,085</u>	<u>\$ 66,542</u>
<u>LONG-TERM DEBT</u>		
Bonds payable	\$ 510,000	\$ 550,000
Less current maturities	<u>45,000</u>	<u>40,000</u>
TOTAL LONG-TERM DEBT	<u>\$ 465,000</u>	<u>\$ 510,000</u>
TOTAL LIABILITIES	<u>\$ 525,085</u>	<u>\$ 576,542</u>
<u>FUND EQUITY</u>		
Contributed capital	\$1,104,623	\$1,155,161
Retained earnings	<u>2,166,205</u>	<u>1,959,875</u>
TOTAL FUND EQUITY	<u>\$3,270,828</u>	<u>\$3,115,036</u>
	<u>\$3,795,913</u>	<u>\$3,691,578</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
SEWAGE DISPOSAL SYSTEM FUND
STATEMENTS OF REVENUES AND EXPENSES

	<u>Year Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Operating revenues:		
Sewer charges	\$1,792,366	\$1,528,832
Repairs and new customer installations	8,000	7,750
Other revenue	<u>2,319</u>	<u>1,550</u>
TOTAL OPERATING REVENUES	<u>\$1,802,685</u>	<u>\$1,538,132</u>
Operating expenses:		
Customer installations	\$ 6,528	\$ 8,831
Maintenance of the sewage disposal system and structure	163,277	173,798
Laboratory and office expense	47,353	41,947
Engineering and supervision	34,400	31,890
City share of Portage Lake Water and Sewer Authority expense	1,276,533	1,167,455
Other	<u>5,955</u>	<u>3,050</u>
	\$1,534,046	\$1,426,971
Depreciation expense	<u>103,009</u>	<u>101,240</u>
TOTAL OPERATING EXPENSES	<u>\$1,637,055</u>	<u>\$1,528,211</u>
NET OPERATING INCOME (LOSS)	<u>\$ 165,630</u>	<u>\$ 9,921</u>
Non-operating revenues - Interest	<u>\$ 19,159</u>	<u>\$ 9,038</u>
Non-operating expenses -		
Interest	<u>\$ 28,997</u>	<u>\$ 31,080</u>
NET INCOME (LOSS)	<u>\$ 155,792</u>	<u>(\$ 12,121)</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
SEWAGE DISPOSAL SYSTEM FUND
ANALYSES OF CHANGES IN FUND EQUITY

	<u>Year ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
<u>CONTRIBUTED CAPITAL</u>		
Federal grants for construction:		
Balance, July 1	\$1,155,161	\$1,205,699
Less depreciation attributable to capital grants	<u>50,538</u>	<u>50,538</u>
CONTRIBUTED CAPITAL, JUNE 30	<u>\$1,104,623</u>	<u>\$1,155,161</u>
<u>RETAINED EARNINGS</u>		
Balance, July 1	<u>\$1,959,875</u>	<u>\$1,921,458</u>
Add (subtract):		
Net income (loss) for the year	\$ 155,792	(\$ 12,121)
Depreciation attributable to capital grants	<u>50,538</u>	<u>50,538</u>
	<u>\$ 206,330</u>	<u>\$ 38,417</u>
RETAINED EARNINGS, JUNE 30	<u>\$2,166,205</u>	<u>\$1,959,875</u>
FUND EQUITY, JUNE 30	<u>\$3,270,828</u>	<u>\$3,115,036</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
SEWAGE DISPOSAL SYSTEM FUND
STATEMENTS OF CASH FLOWS

	Year ended June 30,	
	2007	2006
Cash flows from operating activities:		
Receipts from customers	\$1,781,816	\$1,541,817
Payments to suppliers	(1,418,107)	(1,270,156)
Payments to employees	(130,906)	(144,271)
Net cash provided (used) by operating activities	<u>\$ 232,803</u>	<u>\$ 127,390</u>
Cash flows from noncapital financing activities:		
(Increase) decrease in due from other funds	(\$ 4,856)	\$ 61,717
Increase (decrease) in due to other funds and component units	<u>2,035</u>	<u>-</u>
Net cash flows from noncapital financing activities	<u>(\$ 2,821)</u>	<u>\$ 61,717</u>
Cash flows from capital and related financing activities:		
Acquisition of property, plant and equipment	(\$ 12,651)	(\$ 37,205)
Issuance (reduction) of long-term debt	(40,000)	(40,000)
(Increase) decrease in restricted assets	(1,219)	(4,785)
Interest paid on long-term debt	(29,577)	(31,653)
Net cash provided (used) by capital and related financing activities	<u>(\$ 83,447)</u>	<u>(\$ 113,643)</u>
Cash flows from investing activities -		
Interest received	<u>\$ 19,159</u>	<u>\$ 9,038</u>
Increase (decrease) in cash and cash equivalents	\$ 165,694	\$ 84,502
Cash - beginning of year	<u>334,550</u>	<u>250,048</u>
Cash - end of year	<u><u>\$ 500,244</u></u>	<u><u>\$ 334,550</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 165,630	\$ 9,921
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	103,009	101,240
Changes in assets and liabilities:		
Receivables	(20,869)	3,685
Accounts and other payables	(9,501)	13,379
Accrued expenses	(2,188)	(4,159)
Due from other governmental units	(2,055)	2,101
Due to other governmental units	(1,223)	<u>1,223</u>
Net cash provided by operating activities	<u><u>\$ 232,803</u></u>	<u><u>\$ 127,390</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

PARKING SYSTEM FUND
BALANCE SHEETS

		<u>June 30,</u>	
		<u>2007</u>	<u>2006</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash		\$ 5,647	\$ 4,240
Accounts receivable		998	636
TOTAL CURRENT ASSETS		<u>\$ 6,645</u>	<u>\$ 4,876</u>
<u>PROPERTY, PLANT, AND EQUIPMENT</u>			
Parking deck complex		\$4,418,758	\$4,418,758
Less accumulated depreciation		<u>2,407,584</u>	<u>2,299,040</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT		<u>\$2,011,174</u>	<u>\$2,119,718</u>
		<u>\$2,017,819</u>	<u>\$2,124,594</u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable		\$ 1,893	\$ 1,691
Accrued wages and benefits		1,631	801
Due to other funds		<u>264,724</u>	<u>238,835</u>
TOTAL CURRENT LIABILITIES		<u>\$ 268,248</u>	<u>\$ 241,327</u>
<u>FUND EQUITY</u>			
Contributed capital		\$1,230,250	\$1,302,691
Retained earnings (deficit)		<u>519,321</u>	<u>580,576</u>
TOTAL FUND EQUITY		<u>\$1,749,571</u>	<u>\$1,883,267</u>
		<u>\$2,017,819</u>	<u>\$2,124,594</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
PARKING SYSTEM FUND
STATEMENTS OF REVENUES AND EXPENSES

	<u>Year ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Operating revenues:		
Parking fees - Meters	\$ 7,960	\$ 9,581
Parking space permits	51,500	49,098
Parking fines	33,420	34,756
Towing fees	16,880	12,625
Other revenue	<u>123</u>	<u>400</u>
TOTAL OPERATING REVENUES	<u>\$109,883</u>	<u>\$106,460</u>
Operating expenses:		
Parking system maintenance	\$ 72,557	\$ 47,765
Parking law enforcement	60,023	70,356
Winter maintenance	49,284	56,578
Insurance	2,384	2,374
Miscellaneous	<u>800</u>	<u>800</u>
	\$185,048	\$177,873
Depreciation expense	<u>108,544</u>	<u>108,544</u>
TOTAL OPERATING EXPENSES	<u>\$293,592</u>	<u>\$286,417</u>
NET OPERATING INCOME (LOSS)	<u>(\$183,709)</u>	<u>(\$179,957)</u>
Non-operating revenues - Interest	<u>\$ 13</u>	<u>\$ 15</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>(\$183,696)</u>	<u>(\$179,942)</u>
Other financing sources (uses):		
Operating transfers from other funds	\$ 20,000	\$ -
Operating transfers from component unit	<u>30,000</u>	<u>30,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 50,000</u>	<u>\$30,000</u>
NET INCOME (LOSS)	<u>(\$133,696)</u>	<u>(\$149,942)</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
PARKING SYSTEM FUND
ANALYSES OF CHANGES IN FUND EQUITY

	<u>Year ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
<u>CONTRIBUTED CAPITAL</u>		
Federal Grants - Balance, July 1	\$ 632,625	\$ 678,294
Less depreciation attributable to Federal grants	<u>45,669</u>	<u>45,669</u>
Balance, June 30	<u>\$ 586,956</u>	<u>\$ 632,625</u>
Michigan Small Cities Grant -		
Balance, July 1	\$ 213,448	\$ 223,425
Less depreciation attributable to State grants	<u>9,977</u>	<u>9,977</u>
Balance, June 30	<u>\$ 203,471</u>	<u>\$ 213,448</u>
Local contributions for parking deck		
construction - Balance, July 1	\$ 65,540	\$ 71,003
Less depreciation attributable to local contributions	<u>5,463</u>	<u>5,463</u>
Balance, June 30	<u>\$ 60,077</u>	<u>\$ 65,540</u>
City of Houghton General Fund contributions -		
Balance, July 1	\$ 36,830	\$ 38,770
Less depreciation attributable to City		
of Houghton General Fund grants	<u>1,940</u>	<u>1,940</u>
Balance, June 30	<u>\$ 34,890</u>	<u>\$ 36,830</u>
City of Houghton Downtown Development		
Authority contributions -		
Balance, July 1	\$ 354,248	\$ 363,640
Less depreciation attributable to City		
of Houghton Downtown Development		
Authority contributions	<u>9,392</u>	<u>9,392</u>
Balance, June 30	<u>\$ 344,856</u>	<u>\$ 354,248</u>
CONTRIBUTED CAPITAL, JUNE 30	<u>\$1,230,250</u>	<u>\$1,302,691</u>
<u>RETAINED EARNINGS</u>		
Balance, July 1	<u>\$ 580,576</u>	<u>\$ 658,077</u>
Add (subtract):		
Net income (loss) for the year	(\$ 133,696)	(\$ 149,942)
Depreciation attributable to capital grants	<u>72,441</u>	<u>72,441</u>
	<u>(\$ 61,255)</u>	<u>(\$ 77,501)</u>
RETAINED EARNINGS, JUNE 30	<u>\$ 519,321</u>	<u>\$ 580,576</u>
FUND EQUITY, JUNE 30	<u>\$1,749,571</u>	<u>\$1,883,267</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

PARKING SYSTEM FUND
STATEMENTS OF CASH FLOWS

	<u>Year ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from customers	\$109,521	\$106,380
Payment to suppliers	(117,853)	(102,248)
Payments to employees	(66,163)	(83,252)
Net cash provided (used) by operating activities	<u>(\$ 74,495)</u>	<u>(\$ 79,120)</u>
Cash flows from noncapital financing activities:		
Transfers from other funds and component units	\$ 50,000	\$ 30,000
Increase (decrease) in due to other funds	<u>25,889</u>	<u>48,193</u>
Net cash provided (used) by noncapital financing activities	<u>\$ 75,889</u>	<u>\$ 78,193</u>
Cash flows from investment activities -		
Interest received	\$ 13	\$ 15
Net increase (decrease) in cash and cash equivalents	\$ 1,407	(\$ 912)
Cash - beginning of year	<u>4,240</u>	<u>5,152</u>
Cash - end of year	<u>\$ 5,647</u>	<u>\$ 4,240</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(\$183,709)	(\$179,957)
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	108,544	108,544
Changes in assets and liabilities:		
Receivables	(362)	(80)
Accounts and other payables	202	(5,345)
Accrued expenses	<u>830</u>	<u>(2,282)</u>
Net cash provided by operating activities	<u>(\$ 74,495)</u>	<u>(\$ 79,120)</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND
BALANCE SHEETS

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 6,547	\$ 8,785
Accounts receivable	9,428	3,541
Grant receivable	2,107	7,124
Due from Federal government	<u>2,818</u>	<u>9,001</u>
TOTAL CURRENT ASSETS	<u>\$ 20,900</u>	<u>\$ 28,451</u>
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Property and equipment	\$1,302,095	\$1,340,785
Less accumulated depreciation	<u>950,585</u>	<u>997,288</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT	<u>\$ 351,510</u>	<u>\$ 343,497</u>
	<u>\$ 372,410</u>	<u>\$ 371,948</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 3,588	\$ 5,462
Accrued wages and benefits	4,455	5,864
Due to State - State Operating Assistance	12,979	35,316
Due to other funds	<u>15,185</u>	<u>1,339</u>
TOTAL CURRENT LIABILITIES	<u>\$ 36,207</u>	<u>\$ 47,981</u>
<u>FUND EQUITY</u>		
Contributed capital - State	\$ 141,998	\$ 165,984
Contributed capital - Federal	193,248	157,496
Retained earnings	<u>957</u>	<u>487</u>
TOTAL FUND EQUITY	<u>\$ 336,203</u>	<u>\$ 323,967</u>
	<u>\$ 372,410</u>	<u>\$ 371,948</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
STATEMENTS OF REVENUES AND EXPENSES

	<u>Year ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Operating revenues	\$ 106,928	\$103,527
Operating expenses	<u>449,792</u>	<u>459,310</u>
OPERATING INCOME (LOSS)	(\$ 342,864)	(\$355,783)
Non-operating revenues	342,211	341,346
Non-operating expenses	<u>57,637</u>	<u>43,310</u>
NET INCOME (LOSS)	<u>(\$ 58,290)</u>	<u>(\$ 57,747)</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
ANALYSES OF CHANGES IN FUND EQUITY

	<u>Year ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
<u>CONTRIBUTED CAPITAL</u>		
State grants:		
Balance, July 1	\$165,984	\$190,360
Add grants received in current year:		
Contract 02-0046/Z3	-	818
Contract 02-0046/Z9	-	11,588
Contract 02-0046/Z10	-	4,000
Contract 02-0046/Z15	11,588	-
Contract 02-0046/Z16	421	-
Less depreciation attributable to State grants	<u>35,995</u>	<u>40,782</u>
Balance, June 30	<u>\$141,998</u>	<u>\$165,984</u>
Federal grants:		
Balance, July 1	\$157,496	\$108,577
Add grants received in current year:		
Contract 02-0046/Z3	-	3,273
Contract 02-0046/Z9	-	46,351
Contract 02-0046/Z10	-	16,000
Contract 02-0046/Z15	46,351	-
Contract 02-0046/Z16	12,166	-
Less depreciation attributable to Federal grants	<u>22,765</u>	<u>16,705</u>
Balance, June 30	<u>\$193,248</u>	<u>\$157,496</u>
TOTAL CONTRIBUTED CAPITAL, JUNE 30	<u>\$335,246</u>	<u>\$323,480</u>
<u>RETAINED EARNINGS</u>		
Balance, July 1	\$ 487	\$ 747
Net income (loss)	(58,290)	(57,747)
Add depreciation attributable to capital grants	<u>58,760</u>	<u>57,487</u>
RETAINED EARNINGS, JUNE 30	<u>\$ 957</u>	<u>\$ 487</u>
FUND EQUITY, JUNE 30	<u>\$336,203</u>	<u>\$323,967</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND
STATEMENTS OF CASH FLOWS

	Year ended June 30,	
	2007	2006
Cash flows from operating activities:		
Receipts from customers	\$ 101,041	\$ 105,600
Payments to suppliers	(121,046)	(142,266)
Payments to employees	(269,258)	(263,113)
Net cash provided (used) by operating activities	(\$ 289,263)	(\$ 299,779)
Cash flows from noncapital financing activities:		
Transfers from other funds	\$ 65,000	\$ 72,580
(Increase) decrease in due from other funds	-	19,000
(Increase) decrease in due from other governmental units	6,183	2,481
Increase (decrease) in due to other funds	13,846	1,339
Increase (decrease) in due to other governmental units	(22,337)	(12,565)
Proceeds from grants	277,196	268,747
Specialized services grants paid	(57,464)	(43,207)
Interest expense and finance charges	(173)	(103)
Net cash provided (used) by noncapital financing activities	\$ 282,251	\$ 308,272
Cash flows from capital and related financing activities:		
Capital contributions	\$ 70,526	\$ 82,030
Acquisition of property, plant, and equipment	(70,784)	(89,956)
(Increase) decrease in grants receivable	5,017	(7,124)
Net cash provided (used) by capital and related financing activities	\$ 4,759	(\$ 15,050)
Cash flows from investing activities -		
Interest received	\$ 15	\$ 19
Net increase (decrease) in cash and cash equivalents	(\$ 2,238)	(\$ 6,538)
Cash - beginning of year	8,785	15,323
Cash - end of year	\$ 6,547	\$ 8,785
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(\$ 342,864)	(\$ 355,783)
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	62,771	59,267
Changes in assets and liabilities:		
Receivables	(5,887)	2,073
Accounts and other payables	(1,874)	1,860
Accrued expenses	(1,409)	(7,196)
Net cash provided by operating activities	(\$ 289,263)	(\$ 299,779)

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

EQUIPMENT FUND
BALANCE SHEETS

		June 30,	
		2007	2006
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash		\$ 471	\$ 67,346
Due from other funds		558,372	469,412
Due from component units		6,660	2,203
TOTAL CURRENT ASSETS		<u>\$ 565,503</u>	<u>\$ 538,961</u>
<u>LAND, BUILDINGS, AND EQUIPMENT</u>			
Land and buildings		\$ 331,125	\$ 331,125
Equipment		3,100,267	3,055,461
		<u>\$3,431,392</u>	<u>\$3,386,586</u>
Less accumulated depreciation		2,400,154	2,306,356
TOTAL LAND, BUILDINGS, AND EQUIPMENT		<u>\$1,031,238</u>	<u>\$1,080,230</u>
		<u>\$1,596,741</u>	<u>\$1,619,191</u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable		\$ 18,969	\$ 17,436
Accrued expenses		2,679	2,889
Due to other funds		29,607	42,864
Current maturities on long-term debt		14,515	14,474
TOTAL CURRENT LIABILITIES		<u>\$ 65,770</u>	<u>\$ 77,663</u>
<u>LONG-TERM DEBT</u>			
Notes payable		\$ 86,524	\$ 100,597
Less current maturities		14,515	14,474
TOTAL LONG-TERM DEBT		<u>\$ 72,009</u>	<u>\$ 86,123</u>
TOTAL LIABILITIES		<u>\$ 137,779</u>	<u>\$ 163,786</u>
<u>RETAINED EARNINGS</u>		<u>\$1,458,962</u>	<u>\$1,455,405</u>
		<u>\$1,596,741</u>	<u>\$1,619,191</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
EQUIPMENT FUND
STATEMENTS OF REVENUES AND EXPENSES

	<u>Year ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Operating revenues:		
Charges for services	\$ 726,767	\$ 771,507
Other revenue	<u>1,466</u>	<u>5,268</u>
TOTAL OPERATING REVENUES	<u>\$ 728,233</u>	<u>\$ 776,775</u>
Operating expenses:		
Equipment operations, maintenance, and storage	\$ 412,843	\$ 409,098
Insurance on equipment and garage	<u>30,681</u>	<u>30,648</u>
Employee benefits	<u>37,527</u>	<u>33,908</u>
	<u>\$ 481,051</u>	<u>\$ 473,654</u>
Depreciation expense	<u>228,552</u>	<u>212,355</u>
TOTAL OPERATING EXPENSES	<u>\$ 709,603</u>	<u>\$ 686,009</u>
NET INCOME FROM OPERATIONS	<u>\$ 18,630</u>	<u>\$ 90,766</u>
Non-operating income:		
Interest	\$ 25	\$ 854
Gain on sale of equipment	<u>-</u>	<u>22,187</u>
	<u>\$ 25</u>	<u>\$ 23,041</u>
Non-operating expense:		
Interest	\$ 6,484	\$ 5,543
Loss on sale of equipment	<u>17,189</u>	<u>-</u>
	<u>\$ 23,673</u>	<u>\$ 5,543</u>
Other financing sources (uses):		
Operating transfers from other funds	\$ 14,275	\$ 13,703
Operating transfers to other funds	<u>(5,700)</u>	<u>-</u>
	<u>\$ 8,575</u>	<u>\$ 13,703</u>
NET INCOME (LOSS)	<u>\$ 3,557</u>	<u>\$ 121,967</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
EQUIPMENT FUND
ANALYSES OF CHANGES IN RETAINED EARNINGS

	<u>Year ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Retained earnings, July 1	\$1,455,405	\$1,333,438
Net income (loss) for the year	<u>3,557</u>	<u>121,967</u>
TOTAL RETAINED EARNINGS, JUNE 30	<u>\$1,458,962</u>	<u>\$1,455,405</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
EQUIPMENT FUND
STATEMENTS OF CASH FLOWS

	Year ended June 30,	
	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from customers	\$620,093	\$689,813
Payments to suppliers	(394,701)	(393,369)
Payments to employees	(84,867)	(79,443)
Other receipts (payments)	<u>1,466</u>	<u>5,268</u>
Net cash provided (used) by operating activities	<u>\$141,991</u>	<u>\$222,269</u>
Cash flows from noncapital financing activities:		
Transfers from other funds and component units	\$ 14,275	\$ 13,703
Transfers to other funds and component units	(5,700)	-
(Increase) decrease in due from other funds and component units	<u>-</u>	<u>(20,000)</u>
Net cash provided (used) by noncapital financing activities	<u>\$ 8,575</u>	<u>(\$ 6,297)</u>
Cash flows from capital and related financing activities:		
Proceeds from sale of equipment	\$ 50,412	\$ 49,806
Acquisition of property, plant and equipment	(247,161)	(293,742)
Issuance (reduction) of long-term debt	(14,073)	(13,316)
Interest paid on long-term debt	<u>(6,644)</u>	<u>(5,686)</u>
Net cash provided (used) by capital and related financing activities	<u>(\$217,466)</u>	<u>(\$262,938)</u>
Cash flows from investing activities -		
Interest received	<u>\$ 25</u>	<u>\$ 854</u>
Net increase (decrease) in cash and cash equivalents	<u>(\$ 66,875)</u>	<u>(\$ 46,112)</u>
Cash - beginning of year	<u>67,346</u>	<u>113,458</u>
Cash - end of year	<u>\$ 471</u>	<u>\$ 67,346</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 18,630	\$ 90,766
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	228,552	212,355
Changes in assets and liabilities:		
Accounts and other payables	1,533	2,369
Due from other funds and component units	(93,417)	(32,247)
Due to other funds	(13,257)	(49,447)
Accrued expenses	<u>(50)</u>	<u>(1,527)</u>
Net cash provided by operating activities	<u>\$141,991</u>	<u>\$222,269</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

EMPLOYEE RETIREMENT FUND
BALANCE SHEETS

June 30,	
<u>2007</u>	<u>2006</u>

ASSETS

Cash and cash equivalents	\$ 104,686	\$ 88,788
Investments	3,795,054	4,645,179
Loans to participants	<u>33,932</u>	<u>131,709</u>
	<u>\$3,933,672</u>	<u>\$4,865,676</u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ -	\$ -
<u>FUND BALANCE</u>	<u>3,933,672</u>	<u>4,865,676</u>
	<u>\$3,933,672</u>	<u>\$4,865,676</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
EMPLOYEE RETIREMENT FUND
STATEMENTS OF REVENUES AND EXPENSES

	<u>Year ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Operating revenues:		
Employer contributions	\$ 194,505	\$187,950
Investment income	<u>224,985</u>	<u>232,543</u>
TOTAL OPERATING REVENUES	\$ 419,490	\$420,493
Operating expenses -		
Plan distributions	<u>1,891,952</u>	<u>349,799</u>
NET OPERATING INCOME (LOSS)	(\$1,472,462)	\$ 70,694
Net appreciation (depreciation) in fair value of investments	<u>540,458</u>	<u>166,119</u>
NET INCOME (LOSS)	<u>(\$ 932,004)</u>	<u>\$236,813</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
EMPLOYEE RETIREMENT FUND
STATEMENTS OF CHANGES IN FUND BALANCE

	<u>Year ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
<u>FUND BALANCE</u>		
Reserved, beginning of year	\$4,865,676	\$4,628,863
Net operating income (loss) for the year	(932,004)	236,813
FUND BALANCE RESERVED, JUNE 30	<u>\$3,933,672</u>	<u>\$4,865,676</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

EMPLOYEE BENEFIT FUND
BALANCE SHEETS

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash	\$254,377	\$222,728
Prepaid expense	<u>43,801</u>	<u>48,231</u>
	<u>\$298,178</u>	<u>\$270,959</u>
<u>LIABILITIES AND RETAINED EARNINGS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 1,071	\$ -
Accumulated employee sick leave	64,419	56,785
Accumulated employee vacation	<u>76,206</u>	<u>88,836</u>
TOTAL LIABILITIES	\$141,696	\$145,621
<u>RETAINED EARNINGS (DEFICIT)</u>	<u>156,482</u>	<u>125,338</u>
	<u>\$298,178</u>	<u>\$270,959</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
EMPLOYEE BENEFIT FUND
STATEMENTS OF REVENUES AND EXPENSES

	<u>Year ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Operating revenues:		
Charges for services	\$1,087,656	\$1,069,872
Other revenue	<u>22,780</u>	<u>12,710</u>
TOTAL OPERATING REVENUES	<u>\$1,110,436</u>	<u>\$1,082,582</u>
Operating expenses:		
Payroll taxes - Employer share	\$ 127,334	\$ 127,977
Hospitalization insurance	415,550	421,413
Sick pay	84,690	45,637
Vacation pay	107,054	101,469
Holiday pay	39,542	36,307
Funeral leave	608	-
Longevity pay	10,020	11,725
Workers' compensation insurance	46,568	34,252
Unemployment insurance	3,931	1,787
Retirement contributions	194,507	187,950
Life insurance	29,725	31,269
Disability insurance	5,840	6,302
Other	<u>13,923</u>	<u>10,879</u>
TOTAL OPERATING EXPENSES	<u>\$1,079,292</u>	<u>\$1,016,967</u>
NET OPERATING INCOME (LOSS)	<u>\$ 31,144</u>	<u>\$ 65,615</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
EMPLOYEE BENEFIT FUND
ANALYSES OF CHANGES IN RETAINED EARNINGS

	<u>Year ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Retained earnings (deficit), July 1	\$125,338	\$ 59,723
Net operating income (loss) for the year	<u>31,144</u>	<u>65,615</u>
RETAINED EARNINGS (DEFICIT), JUNE 30	<u>\$156,482</u>	<u>\$125,338</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

EMPLOYEE BENEFIT FUND
STATEMENTS OF CASH FLOWS

	<u>Year ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from customers	\$1,087,656	\$1,069,872
Payments to suppliers	(13,923)	(12,075)
Payments to employees	(1,064,864)	(1,010,551)
Other receipts	<u>22,780</u>	<u>12,710</u>
Cash flows provided (used) by operating activities	\$ 31,649	\$ 59,956
Cash, beginning of year	<u>222,728</u>	<u>162,772</u>
Cash, end of year	<u>\$ 254,377</u>	<u>\$ 222,728</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 31,144	\$ 65,615
Changes in assets and liabilities:		
Prepaid expense	4,430	(1,013)
Due from other funds	-	(2,412)
Accounts payable	1,071	(3,339)
Accrued expenses	-	(1,855)
Accumulated employee sick leave	7,634	(2,826)
Accumulated employee vacation	<u>(12,630)</u>	<u>962</u>
Net cash provided (used) by operating activities	<u>\$ 31,649</u>	<u>\$ 59,956</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

AGENCY FUND

TAX COLLECTION FUND

STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES

For the Year ended June 30, 2007

	Balance <u>07-01-06</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06-30-07</u>
<u>ASSETS</u>				
Cash	<u>\$ 13,372</u>	<u>\$4,826,103</u>	<u>\$4,825,607</u>	<u>\$ 13,868</u>
<u>LIABILITIES</u>				
Due to (from) component unit:				
Downtown Development Authority	\$ 1,539	\$ 361,632	\$ 361,635	\$ 1,536
Tax Increment Finance Authority	-	618,833	618,861	(28)
Due to other governmental units	<u>11,833</u>	<u>3,845,638</u>	<u>3,845,111</u>	<u>12,360</u>
TOTAL LIABILITIES	<u>\$ 13,372</u>	<u>\$4,826,103</u>	<u>\$4,825,607</u>	<u>\$ 13,868</u>

The accompanying notes to financial statements
are an integral part of this statement.

GROUPS OF ACCOUNTS

CITY OF HOUGHTON, MICHIGAN
GENERAL FIXED ASSETS GROUP OF ACCOUNTS
STATEMENTS OF GENERAL FIXED ASSETS

	June 30,	
	2007	2006

GENERAL FIXED ASSETS

Land, buildings, and improvements	\$ 7,515,791	\$6,924,882
Improvements other than buildings	2,958,131	2,688,459
	<u>\$10,473,922</u>	<u>\$9,613,341</u>

INVESTMENT IN GENERAL FIXED ASSETS

Capital Projects Funds:		
State grants	\$ 1,541,140	\$1,541,140
Federal grants	1,029,744	1,029,744
County grants	70,000	70,000
Local contributions	56,976	56,976
General Fund and other fund grants	1,947,317	1,947,317
General Fund grants	4,569,052	3,708,471
State grants	877,193	877,193
Gifts	382,500	382,500
	<u>\$10,473,922</u>	<u>\$9,613,341</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
GENERAL LONG-TERM DEBT GROUP OF ACCOUNTS
STATEMENTS OF GENERAL LONG-TERM DEBT

	June 30,	
	2007	2006

AMOUNT TO BE PROVIDED FOR THE
RETIREMENT OF GENERAL LONG-TERM DEBT

Amount to be provided for the payment of accrued compensated absences	\$ 149,201	\$ 184,275
Amounts to be provided for retirement of loans and bonds payable	3,285,691	3,230,189
	\$3,434,892	\$3,414,464

GENERAL LONG-TERM DEBT PAYABLE

Accrued compensated absences payable	\$ 149,201	\$ 184,275
1997 Building Authority and Building Authority Bonds	395,000	450,000
2005 General Obligation Limited Tax Bonds	1,965,000	2,000,000
Installment contract	571,334	590,873
Rural Development installment contract	193,000	-
Michigan CDBG Economic Development Grant Loan	124,312	145,624
Promissory Note - retirement annuity	37,045	43,692
	\$3,434,892	\$3,414,464

General Obligation Water Supply and Sewage Disposal System Revenue Bonds of 1978, 1980, 1995 and 1997, aggregating \$4,386,000, which are not reflected above, are included in the balance sheet of the Water Supply Fund. Water Supply and Sewage System Bonds of 1996 totalling \$325,000, and Sewage System Limited Obligation Revenue Bonds of 1997 totalling \$185,000 which are not reflected above, are included in the balance sheet of the Sewage Disposal System Fund. All the above are scheduled in Note G to the financial statements at June 30, 2007.

Notes payable in the amount of \$86,524 not reflected above, are included in the balance sheets of the Equipment Fund, and are described in Note G to the financial statements at June 30, 2007.

The accompanying notes to financial statements are an integral part of this statement.

DISCRETELY PRESENTED COMPONENT UNITS

CITY OF HOUGHTON, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY
A discretely presented component unit
COMBINED BALANCE SHEETS

June 30, 2007

	Totals (Memorandum Only)		General	Debt	Long-Term
	2007	2006	Fund	Service	Debt
				Funds	Group of
					Accounts
<u>ASSETS</u>					
Cash	\$ 89,451	\$ 12,345	\$ 88,757	\$ 694	\$ -
Taxes receivable	771	32,638	771	-	-
Due from primary government	1,536	1,539	1,536	-	-
Amount to be provided for retirement of long-term debt	<u>910,806</u>	<u>960,732</u>	<u>-</u>	<u>-</u>	<u>910,806</u>
	<u>\$1,002,564</u>	<u>\$1,007,254</u>	<u>\$ 91,064</u>	<u>\$ 694</u>	<u>\$ 910,806</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts payable	\$ 5,472	\$ 21,693	\$ 5,472	\$ -	\$ -
Deferred revenue	771	4,083	771	-	-
Due to primary government	142	-	142	-	-
Long-term debt	<u>910,806</u>	<u>960,732</u>	<u>-</u>	<u>-</u>	<u>910,806</u>
TOTAL LIABILITIES	\$ 917,191	\$ 986,508	\$ 6,385	\$ -	\$ 910,806
<u>FUND BALANCE (DEFICIT)</u>	<u>85,373</u>	<u>20,746</u>	<u>84,679</u>	<u>694</u>	<u>-</u>
	<u>\$1,002,564</u>	<u>\$1,007,254</u>	<u>\$ 91,064</u>	<u>\$ 694</u>	<u>\$ 910,806</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY
A discretely presented component unit
COMBINED STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Year ended June 30, 2007

	Totals (Memorandum Only)		General	Debt
	2007	2006	Fund	Service
				Funds
Revenues:				
Taxes	\$ 338,160	\$ 360,834	\$ 338,160	\$ -
Interest and rents	6,942	2,683	6,942	-
Miscellaneous	<u>1,600</u>	<u>8,166</u>	<u>1,600</u>	<u>-</u>
TOTAL REVENUES	\$ <u>346,702</u>	\$ <u>371,683</u>	\$ <u>346,702</u>	\$ <u>-</u>
Expenditures:				
Administration	\$ 29,295	\$ 40,872	\$ 29,295	\$ -
Capital outlay	50,615	85,505	50,615	-
Debt Service:				
Principal	55,082	58,615	-	55,082
Interest	<u>58,893</u>	<u>55,895</u>	<u>-</u>	<u>58,893</u>
TOTAL EXPENDITURES	\$ <u>193,885</u>	\$ <u>240,887</u>	\$ <u>79,910</u>	\$ <u>113,975</u>
EXCESS OF REVENUES (EXPENDITURES)	\$ <u>152,817</u>	\$ <u>130,796</u>	\$ <u>266,792</u>	\$ <u>(113,975)</u>
Other financing sources (uses):				
Operating transfers to				
primary government	(\$ 88,190)	(\$ 121,209)	(\$ 88,190)	\$ -
Operating transfers from other funds	113,975	114,510	-	113,975
Operating transfers to other funds	<u>(113,975)</u>	<u>(114,510)</u>	<u>(113,975)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	(\$ <u>88,190</u>)	(\$ <u>121,209</u>)	(\$ <u>202,165</u>)	\$ <u>113,975</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ 64,627	\$ 9,587	\$ 64,627	\$ -
Fund balance (deficit), July 1	<u>20,746</u>	<u>11,159</u>	<u>20,052</u>	<u>694</u>
TOTAL FUND BALANCE (DEFICIT), JUNE 30	\$ <u>85,373</u>	\$ <u>20,746</u>	\$ <u>84,679</u>	\$ <u>694</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY
A discretely presented component unit
GENERAL FUND
BALANCE SHEETS

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash	\$ 88,757	\$ 11,651
Taxes receivable	771	32,638
Due from primary government	<u>1,536</u>	<u>1,539</u>
	<u>\$ 91,064</u>	<u>\$ 45,828</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 5,472	\$ 21,693
Due to primary government	142	-
Deferred revenue	<u>771</u>	<u>4,083</u>
TOTAL LIABILITIES	\$ 6,385	\$ 25,776
<u>FUND BALANCE (DEFICIT)</u>	<u>84,679</u>	<u>20,052</u>
	<u>\$ 91,064</u>	<u>\$ 45,828</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY
A discretely presented component unit
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

Year ended June 30, 2007
With Actual Amounts for Year Ended June 30, 2006

	<u>2007</u>			<u>2006</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Taxes	\$342,500	\$338,160	(\$ 4,340)	\$360,834
Interest and rents	500	6,942	6,442	2,683
Miscellaneous	-	1,600	1,600	8,166
TOTAL REVENUES	<u>\$343,000</u>	<u>\$346,702</u>	<u>\$ 3,702</u>	<u>\$371,683</u>
Expenditures:				
General government administration	\$ 19,400	\$ 29,295	(\$ 9,895)	\$ 40,872
Capital outlay	35,000	50,615	(15,615)	85,505
TOTAL EXPENDITURES	<u>\$ 54,400</u>	<u>\$ 79,910</u>	<u>(\$ 25,510)</u>	<u>\$126,377</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$288,600</u>	<u>\$266,792</u>	<u>(\$ 21,808)</u>	<u>\$245,306</u>
Other financing sources (uses):				
Operating transfers to primary government	(\$ 88,190)	(\$ 88,190)	\$ -	(\$121,209)
Operating transfers to other funds	(113,975)	(113,975)	-	(114,510)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$202,165)</u>	<u>(\$202,165)</u>	<u>\$ -</u>	<u>(\$235,719)</u>
EXCESS OF REVENUES AND OTHER SOURCES				
EXPENDITURES AND OTHER USES)	\$ 86,435	\$ 64,627	(\$ 21,808)	\$ 9,587
Fund balance (deficit), July 1	<u>20,052</u>	<u>20,052</u>	<u>-</u>	<u>10,465</u>
TOTAL FUND BALANCE (DEFICIT), JUNE 30	<u>\$106,487</u>	<u>\$ 84,679</u>	<u>(\$ 21,808)</u>	<u>\$ 20,052</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
 DOWNTOWN DEVELOPMENT AUTHORITY
 A discretely presented component unit
 DEBT SERVICE FUNDS
 COMBINING BALANCE SHEETS
 June 30, 2007
 With Totals for June 30, 2006

	Totals (Memorandum Only)		1996 Building Authority Bonds	1994 DDA Limited Tax General Obligation Bonds
	<u>2007</u>	<u>2006</u>		
<u>ASSETS</u>				
Cash	<u>\$ 694</u>	<u>\$ 694</u>	<u>\$ 613</u>	<u>\$ 81</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund Equity	<u>694</u>	<u>694</u>	<u>613</u>	<u>81</u>
	<u>\$ 694</u>	<u>\$ 694</u>	<u>\$ 613</u>	<u>\$ 81</u>

The accompanying notes to financial statements
 are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
 DOWNTOWN DEVELOPMENT AUTHORITY
 A discretely presented component unit
 DEBT SERVICE FUNDS
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND FUND EQUITY
 Year ended June 30, 2007
 With Totals for June 30, 2006

	Totals (Memorandum Only)		1996 Building Authority Bonds	1994 DDA Limited Tax General Obligation Bonds
	<u>2007</u>	<u>2006</u>	<u>Bonds</u>	<u>Bonds</u>
Revenues -				
Contributions from other funds	\$ <u>113,975</u>	\$ <u>114,510</u>	\$ <u>13,975</u>	\$ <u>100,000</u>
Expenditures:				
Redemption of serial bonds	\$ <u>55,082</u>	\$ <u>58,615</u>	\$ <u>10,000</u>	\$ <u>45,082</u>
Interest on bonds	<u>58,893</u>	<u>55,895</u>	<u>3,975</u>	<u>54,918</u>
TOTAL EXPENDITURES	\$ <u>113,975</u>	\$ <u>114,510</u>	\$ <u>13,975</u>	\$ <u>100,000</u>
EXCESS OF REVENUES	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Fund equity, July 1	<u>694</u>	<u>694</u>	<u>613</u>	<u>81</u>
FUND EQUITY, JUNE 30	\$ <u>694</u>	\$ <u>694</u>	\$ <u>613</u>	\$ <u>81</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY
A discretely presented component unit
STATEMENTS OF GENERAL LONG-TERM DEBT

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
<u>AMOUNT TO BE PROVIDED FOR THE</u> <u>RETIREMENT OF GENERAL LONG-TERM DEBT</u>		
Amounts to be provided for the retirement of long-term debt	<u>\$ 910,806</u>	<u>\$ 960,732</u>
<u>GENERAL LONG-TERM DEBT PAYABLE</u>		
Limited tax development bonds, including accrued interest	\$ 845,806	\$ 885,732
1996 Building Authority Bonds	<u>65,000</u>	<u>75,000</u>
	<u>\$ 910,806</u>	<u>\$ 960,732</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TAX INCREMENT FINANCE AUTHORITY
A discretely presented component unit
COMBINED BALANCE SHEETS
June 30, 2007

	Totals (Memorandum Only)		General	Debt	Long-Term
	2007	2006	Fund	Service	Debt
				Funds	Group of
					Accounts
<u>ASSETS</u>					
Cash	\$ 1,247	\$ 27,361	\$ 1,062	\$ 185	\$ -
Accounts receivable	18,384	-	18,384	-	-
Taxes receivable	19,244	20,073	19,244	-	-
Due from primary government	78,769	88,769	78,769	-	-
Amount to be provided for retirement of long-term debt	<u>1,288,276</u>	<u>1,440,483</u>	<u>-</u>	<u>-</u>	<u>1,288,276</u>
	<u>\$1,405,920</u>	<u>\$1,576,686</u>	<u>\$ 117,459</u>	<u>\$ 185</u>	<u>\$1,288,276</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts payable	\$ 39,847	\$ 6,813	\$ 39,847	\$ -	\$ -
Accrued wages and benefits	1,676	309	1,676	-	-
Due to primary government	13,258	8,915	13,258	-	-
Deferred revenue	642	4,013	642	-	-
Long-term debt	<u>1,288,276</u>	<u>1,440,483</u>	<u>-</u>	<u>-</u>	<u>1,288,276</u>
TOTAL LIABILITIES	\$1,343,699	\$1,460,533	\$ 55,423	\$ -	\$1,288,276
<u>FUND BALANCE</u>	<u>62,221</u>	<u>116,153</u>	<u>62,036</u>	<u>185</u>	<u>-</u>
	<u>\$1,405,920</u>	<u>\$1,576,686</u>	<u>\$ 117,459</u>	<u>\$ 185</u>	<u>\$1,288,276</u>

The accompanying notes to financial statements
are an integral part of this statements.

CITY OF HOUGHTON, MICHIGAN

TAX INCREMENT FINANCE AUTHORITY

A discretely presented component unit

COMBINED STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Year ended June 30, 2007

	Totals (Memorandum Only)		General	Debt
	2007	2006	Fund	Service Funds
Revenues:				
Taxes	\$ 621,294	\$ 524,559	\$ 621,294	\$ -
Interest and rents	7,749	17,044	7,749	-
TOTAL REVENUES	<u>\$ 629,043</u>	<u>\$ 541,603</u>	<u>\$ 629,043</u>	<u>\$ -</u>
Expenditures:				
General government administration	\$ 61,914	\$ 91,504	\$ 61,914	\$ -
Capital outlay	393,598	506,876	393,598	-
Debt Service:				
Principal	152,208	144,044	-	152,208
Interest	74,955	83,189	-	74,955
Other	300	300	-	300
TOTAL EXPENDITURES	<u>\$ 682,975</u>	<u>\$ 825,913</u>	<u>\$ 455,512</u>	<u>\$227,463</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>(\$ 53,932)</u>	<u>(\$ 284,310)</u>	<u>\$ 173,531</u>	<u>(\$227,463)</u>
Other financing sources (uses):				
Operating transfers from other funds	\$ 227,812	\$ 227,533	\$ 349	\$227,463
Operating transfers to other funds	(227,812)	(227,533)	(227,463)	(349)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 227,114)</u>	<u>\$227,114</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>(\$ 53,932)</u>	<u>(\$ 284,310)</u>	<u>(\$ 53,583)</u>	<u>(\$ 349)</u>
Fund balance (deficit), July 1	<u>116,153</u>	<u>400,463</u>	<u>115,619</u>	<u>534</u>
TOTAL FUND BALANCE (DEFICIT), JUNE 30	<u>\$ 62,221</u>	<u>\$ 116,153</u>	<u>\$ 62,036</u>	<u>\$ 185</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TAX INCREMENT FINANCE AUTHORITY
A discretely presented component unit

GENERAL FUND
BALANCE SHEETS

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash	\$ 1,062	\$ 26,827
Taxes receivable	19,244	20,073
Accounts receivable	18,384	-
Due from primary government	<u>78,769</u>	<u>88,769</u>
	<u>\$117,459</u>	<u>\$135,669</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 39,847	\$ 6,813
Accrued wages and benefits	1,676	309
Due to primary government	13,258	8,915
Deferred revenue	<u>642</u>	<u>4,013</u>
TOTAL LIABILITIES	\$ 55,423	\$ 20,050
<u>FUND BALANCE</u>	<u>62,036</u>	<u>115,619</u>
	<u>\$117,459</u>	<u>\$135,669</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

TAX INCREMENT FINANCE AUTHORITY
A discretely presented component unit

GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

Year ended June 30, 2007
With Actual Amounts for Year Ended June 30, 2006

	<u>2007</u>		<u>2006</u>	
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Taxes	\$ 582,000	\$ 621,294	\$ 39,294	\$ 524,559
Interest and rents	<u>4,000</u>	<u>7,749</u>	<u>3,749</u>	<u>17,044</u>
TOTAL REVENUES	<u>\$ 586,000</u>	<u>\$ 629,043</u>	<u>\$ 43,043</u>	<u>\$ 541,603</u>
Expenditures:				
General government administration	\$ 81,714	\$ 61,914	\$ 19,800	\$ 91,504
Capital outlay	<u>265,189</u>	<u>393,598</u>	<u>(128,409)</u>	<u>506,876</u>
TOTAL EXPENDITURES	<u>\$ 346,903</u>	<u>\$ 455,512</u>	<u>(\$ 108,609)</u>	<u>\$ 598,380</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ 239,097</u>	<u>\$ 173,531</u>	<u>(\$ 65,566)</u>	<u>(\$ 56,777)</u>
Other financing sources (uses):				
Operating transfers from other funds	\$ -	\$ 349	\$ 349	\$ -
Operating transfers to other fund	<u>(239,097)</u>	<u>(227,463)</u>	<u>11,634</u>	<u>(227,533)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 239,097)</u>	<u>(\$ 227,114)</u>	<u>\$ 11,983</u>	<u>(\$ 227,533)</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ -	(\$ 53,583)	(\$ 53,583)	(\$ 284,310)
Fund balance (deficit), July 1	<u>115,619</u>	<u>115,619</u>	<u>-</u>	<u>399,929</u>
TOTAL FUND BALANCE (DEFICIT), JUNE 30	<u><u>\$ 115,619</u></u>	<u><u>\$ 62,036</u></u>	<u><u>(\$ 53,583)</u></u>	<u><u>\$ 115,619</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TAX INCREMENT FINANCE AUTHORITY
A discretely presented component unit
DEBT SERVICE FUNDS
COMBINING BALANCE SHEETS
Year ended June 30, 2007
With totals for June 30, 2006

	Totals (Memorandum Only)		Tax Increment Revenue Bonds			
			1993	1995	1998	1999
			Wal-mart	TIFA	LTD	Bluffs
	2007	2006	Project	Projects	Refunding	Bond
					Bonds	Debt
<u>ASSETS</u>						
Cash	\$ 185	\$ 534	\$ 64	\$ -	\$ 58	\$ 63
<u>LIABILITIES AND FUND EQUITY</u>						
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Equity	185	534	64	-	58	63
	<u>\$ 185</u>	<u>\$ 534</u>	<u>\$ 64</u>	<u>\$ -</u>	<u>\$ 58</u>	<u>\$ 63</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TAX INCREMENT FINANCE AUTHORITY
A discretely presented component unit

DEBT SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND FUND EQUITY

Year ended June 30, 2007
With totals for June 30, 2006

	Totals (Memorandum Only)		Tax Increment Revenue Bonds			
			1993	1995	1998	1999
			Wal-mart Project	TIFA Projects	LTD Refunding Bonds	Bluffs Bond Debt
	2007	2006				
Revenues -						
Contributions from other funds	\$227,463	\$227,533	\$ 59,065	\$ -	\$ 122,868	\$ 45,530
Expenditures:						
Redemption of serial bonds	\$152,208	\$144,044	\$ 52,208	\$ -	\$ 80,000	\$ 20,000
Interest on bonds	74,955	83,189	6,857	-	42,868	25,230
Paying agent fees and miscellaneous	300	300	-	-	-	300
Transfers to other funds	349	-	-	349	-	-
TOTAL EXPENDITURES	\$227,812	\$227,533	\$ 59,065	\$ 349	\$ 122,868	\$ 45,530
EXCESS OF REVENUES (\$ 349)	\$ -	\$ -	\$ -	(\$ 349)	\$ -	\$ -
Fund equity, July 1	534	534	64	349	58	63
FUND EQUITY, JUNE 30	\$ 185	\$ 534	\$ 64	\$ -	\$ 58	\$ 63

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
 TAX INCREMENT FINANCE AUTHORITY
 A discretely presented component unit
 STATEMENTS OF GENERAL LONG-TERM DEBT

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
 <u>AMOUNT TO BE PROVIDED FOR THE</u> <u>RETIREMENT OF GENERAL LONG-TERM DEBT</u>		
Amounts to be provided for the retirement of bonds payable	<u>\$1,288,276</u>	<u>\$1,440,483</u>
 <u>GENERAL LONG-TERM DEBT PAYABLE</u>		
Walmart Store Project Bonds	\$ 53,276	\$ 105,483
1998 Limited Tax Development Refunding Bonds	820,000	900,000
1999 Bluffs Project Bonds	<u>415,000</u>	<u>435,000</u>
	<u>\$1,288,276</u>	<u>\$1,440,483</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
BROWNFIELD REDEVELOPMENT AUTHORITY
A discretely presented component unit
COMBINED BALANCE SHEETS
June 30, 2007

	Totals (Memorandum Only)		General Fund	Long-Term Debt Group of Accounts
	2007	2006		
<u>ASSETS</u>				
Cash	\$ 102	\$ 101	\$ 102	\$ -
Due from primary government	15,383	15,383	15,383	-
Due from other governmental units	260,394	300,512	260,394	-
Amount to be provided for retirement of long-term debt	260,394	300,512	-	260,394
	<u>\$536,273</u>	<u>\$616,508</u>	<u>\$275,879</u>	<u>\$ 260,394</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Deferred revenue	\$260,394	\$300,512	\$260,394	\$ -
Long-term debt	260,394	300,512	-	260,394
TOTAL LIABILITIES	\$520,788	\$601,024	\$260,394	\$ 260,394
<u>FUND BALANCE</u>	<u>15,485</u>	<u>15,484</u>	<u>15,485</u>	<u>-</u>
	<u>\$536,273</u>	<u>\$616,508</u>	<u>\$275,879</u>	<u>\$ 260,394</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
BROWNFIELD REDEVELOPMENT AUTHORITY
A discretely presented component unit
GENERAL FUND
BALANCE SHEETS

		<u>June 30,</u>	
		<u>2007</u>	<u>2006</u>
<u>ASSETS</u>			
Cash		\$ 102	\$ 101
Due from primary government		15,383	15,383
Due from other governmental units		<u>260,394</u>	<u>300,512</u>
		<u>\$275,879</u>	<u>\$315,996</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
 <u>LIABILITIES</u>			
Deferred revenue		\$260,394	\$300,512
 <u>FUND BALANCE</u>		 <u>15,485</u>	 <u>15,484</u>
		<u>\$275,879</u>	<u>315,996</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

BROWNFIELD REDEVELOPMENT AUTHORITY
A discretely presented component unit

GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

Year ended June 30, 2007
With Actual Amounts for Year Ended June 30, 2006

	<u>2007</u>		<u>Variance Favorable (Unfavorable)</u>	<u>2006</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
County	\$ -	\$ 46,880	\$ 46,880	\$ 46,880
Interest	-	<u>1</u>	<u>1</u>	<u>1</u>
TOTAL REVENUES	<u>\$ -</u>	<u>\$ 46,881</u>	<u>\$ 46,881</u>	<u>\$ 46,881</u>
Expenditures:				
Principal	\$ -	\$ 40,118	(\$ 40,118)	\$ 39,236
Interest	-	<u>6,762</u>	<u>(6,762)</u>	<u>7,644</u>
TOTAL EXPENDITURES	<u>\$ -</u>	<u>\$ 46,880</u>	<u>(\$ 46,880)</u>	<u>\$ 46,880</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES	\$ -	\$ 1	\$ 1	\$ 1
Fund balance, July 1	<u>15,484</u>	<u>15,484</u>	<u>-</u>	<u>15,483</u>
TOTAL FUND BALANCE, JUNE 30	<u>\$ 15,484</u>	<u>\$ 15,485</u>	<u>\$ 1</u>	<u>\$ 15,484</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
BROWNFIELD REDEVELOPMENT AUTHORITY
A discretely presented component unit
STATEMENTS OF GENERAL LONG-TERM DEBT

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
<u>AMOUNT TO BE PROVIDED FOR THE</u> <u>RETIREMENT OF GENERAL LONG-TERM DEBT</u>		
Amount to be provided for the retirement of bonds payable	<u>\$260,394</u>	<u>\$300,512</u>
<u>GENERAL LONG-TERM DEBT PAYABLE</u>		
Limited obligation revenue bonds	<u>\$260,394</u>	<u>\$300,512</u>

The accompanying notes to financial statements
are an integral part of this statement.

OTHER FINANCIAL INFORMATION

CITY OF HOUGHTON, MICHIGAN

GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND FUND BALANCE

	<u>Year ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
REVENUES:		
Taxes:		
Real property taxes	\$ 1,014,103	\$ 933,529
Personal property taxes	58,469	48,944
Payments in lieu of taxes	6,223	6,218
Previously written off	3,182	321
Administration fees and interest	<u>41,495</u>	<u>31,878</u>
TOTAL TAXES	\$ 1,123,472	\$1,020,890
Licenses and permits	\$ 6,295	\$ 1,090
State grants:		
Sales and use tax	\$ 818,102	\$ 826,209
Liquor licenses	7,709	7,284
Fire protection	35,568	23,096
CDBG	165,000	-
Rural development	45,000	-
Other	<u>7,655</u>	<u>19,094</u>
TOTAL STATE GRANTS	\$ 1,079,034	\$ 875,683
Charges for service:		
Accident reports	\$ 2,348	\$ 2,020
Lighting - MTU	3,411	3,411
Dee Stadium	132,129	117,052
Sanitation	282,895	336,585
Charges to users	<u>277,867</u>	<u>244,803</u>
TOTAL CHARGES FOR SERVICES	\$ 698,650	\$ 703,871
Interest and rents -		
Interest income	\$ 59,208	\$ 35,921
Other revenue:		
Sale of assets	\$ 12,846	\$ 84,931
Fines and forfeits	5,293	10,024
Contribution from private source	-	6,400
Miscellaneous	<u>13,393</u>	<u>17,334</u>
TOTAL OTHER REVENUE	\$ 31,532	\$ 118,689
TOTAL REVENUES	\$ 2,998,191	\$2,756,144
EXPENDITURES:		
General government administration:		
Legislative	\$ 23,367	\$ 21,484
City manager	82,404	75,410
Elections	9,992	5,474
Assessor	32,659	33,728
Planning and professional services	71,559	116,281
Clerk	135,207	106,403
Treasurer	53,645	44,862
Accounting and auditing	15,000	16,000
Building and grounds	167,624	218,611
Community promotion	62,167	59,710
Capital outlay	<u>612,553</u>	<u>181,991</u>
TOTAL GENERAL GOVERNMENT ADMINISTRATION	<u>1,266,177</u>	<u>879,954</u>

CITY OF HOUGHTON, MICHIGAN

GENERAL FUND

STATEMENTS OF REVENUES, EXPENDITURES, AND FUND BALANCE (CONTINUED)

	<u>Year ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Public safety:		
Police	\$ 662,030	\$ 616,704
Fire	137,577	141,048
Capital outlay	248,027	-
TOTAL PUBLIC SAFETY	<u>\$ 1,047,634</u>	<u>\$ 757,752</u>
Public works:		
Department of public works	\$ 6,108	\$ 5,491
Building inspection	77,329	75,317
Sidewalks and curbs	27,099	23,045
Street lighting	165,331	143,209
Tree trimming	10,487	9,322
Refuse collections	258,534	349,995
TOTAL PUBLIC WORKS	<u>\$ 544,888</u>	<u>\$ 606,379</u>
Recreation and parks:		
Beach	\$ 38,941	\$ 46,845
Museum	9,619	-
Dee Stadium	117,404	126,014
Parks	91,929	107,855
Capital outlay	-	2,014,699
TOTAL RECREATION AND PARKS	<u>\$ 257,893</u>	<u>\$2,295,413</u>
Debt service:		
Principal	\$ 40,851	\$ 20,637
Interest	17,782	4,749
TOTAL DEBT SERVICE	<u>\$ 58,633</u>	<u>\$ 25,386</u>
Other expenditures:		
City beautification	\$ 10,029	\$ 2,674
Insurance, bonds, and fringes	60,192	74,480
Finance charge	78	187
Miscellaneous	10,153	31,944
TOTAL OTHER EXPENDITURES	<u>\$ 80,452</u>	<u>\$ 109,285</u>
TOTAL EXPENDITURES	<u>\$ 3,255,677</u>	<u>\$4,674,169</u>
EXCESS REVENUES OVER EXPENDITURES	<u>(\$ 257,486)</u>	<u>(\$1,918,025)</u>
Other financing sources (uses):		
Proceeds from long-term debt	\$ 193,000	\$2,603,617
Operating transfers in	5,700	-
Operating transfers out	(398,991)	(372,237)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 200,291)</u>	<u>\$2,231,380</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>(\$ 457,777)</u>	<u>\$ 313,355</u>
Fund Balance, July 1	<u>1,280,141</u>	<u>966,786</u>
FUND BALANCE, JUNE 30	<u>\$ 822,364</u>	<u>\$1,280,141</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
 MAJOR STREET AND TRUNKLINE MAINTENANCE FUND
 SCHEDULES OF EXPENDITURES AND REIMBURSEMENTS FOR STATE TRUNKLINE MAINTENANCE

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
Expenditures:		
Traffic signals	\$ 7,513	\$ 9,386
Surface maintenance	81,183	10,812
Sweeping and flushing	11,710	1,089
Culvert/underdrain	1,183	17,499
Snow and ice control	315,790	290,526
Grass/Weed control	-	715
Other	<u>543</u>	<u>394</u>
	\$417,922	\$330,421
Reimbursements		
Michigan Department of Highways and Transportation	<u>369,378</u>	<u>342,346</u>
	<u>(\$ 48,544)</u>	<u>\$ 11,925</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
SCHEDULE OF OPERATING REVENUES

Year ended June 30, 2007

	7-1-06 to <u>9-30-06</u>	10-1-06 to <u>6-30-07</u>	<u>Total</u>
Fare box	\$ 17,554	\$ 50,158	\$ 67,712
Special contract fares	9,056	26,907	35,963
Other revenue - RTAP reimbursements	<u>1,305</u>	<u>1,948</u>	<u>3,253</u>
TOTAL OPERATING REVENUES	<u>\$ 27,915</u>	<u>\$ 79,013</u>	<u>\$106,928</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
SCHEDULE OF OPERATING EXPENSES
Year ended June 30, 2007

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
Labor:				
Operators' salaries and wages	\$ 117,132	\$ -	\$ -	\$117,132
Other salaries and wages	-	33,878	28,452	62,330
Fringe benefits	29,444	32,078	26,865	88,387
Services:				
Contracted services	1,944	180	213	2,337
Printing and publishing	-	-	432	432
Audit	-	-	2,000	2,000
Materials and supplies consumed:				
Fuel and lubricants	38,275	-	-	38,275
Repairs and maintenance	-	18,482	-	18,482
Other materials and supplies	5,740	2,697	-	8,437
Utilities	2,530	13,832	-	16,362
Casualty and liability cost -				
Premiums for public liability and property damage insurance	-	24,873	-	24,873
Miscellaneous expenses	3,236	146	4,592	7,974
Depreciation	<u>35,537</u>	<u>3,035</u>	<u>24,199</u>	<u>62,771</u>
TOTAL OPERATING EXPENSES	<u>\$ 233,838</u>	<u>\$ 129,201</u>	<u>\$ 86,753</u>	<u>\$449,792</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
Year ended June 30, 2007

Non-operating revenues:	
Operating transfers in - General Fund	\$ 65,000
State of Michigan operating grants:	
Local Bus Operating Assistance - Act 51	147,659
FY 2003 adjustment	6,003
FY 2004 adjustment	7,511
Specialized Services -	
Contract 02-0046	57,464
Federal Operating Grant - U.S. DOT Operating	
Grant - Section 5311:	
Contract 02-0046	61,904
FY 2002 adjustment	(2,447)
FY 2003 adjustment	(2,117)
FY 2004 adjustment	1,257
FY 2005 adjustment	(38)
Interest income	15
	<u>15</u>
TOTAL NON-OPERATING REVENUES	<u>\$342,211</u>
Non-operating expenses:	
Specialized Services Grants -	
Contract 02-0046	\$ 57,464
Finance charges	173
	<u>173</u>
TOTAL NON-OPERATING EXPENSES	<u>\$ 57,637</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND
LOCAL REVENUES
Year ended June 30, 2007

	7-1-06 to <u>9-30-06</u>	10-1-06 to <u>6-30-07</u>	<u>Total</u>
Fare box	\$ 17,554	\$ 50,158	\$ 67,712
Special contract fares	<u>9,056</u>	<u>26,907</u>	<u>35,963</u>
TOTAL EXPENSES	<u>\$ 26,610</u>	<u>\$ 77,065</u>	<u>\$103,675</u>

Based on a September 30, 2006 Year End

	10-1-05 to <u>6-30-06</u>	7-1-06 to <u>9-30-06</u>	<u>Total</u>
Fare box	\$ 46,132	\$ 17,554	\$ 63,686
Special contract fares	<u>28,146</u>	<u>9,056</u>	<u>37,202</u>
TOTAL EXPENSES	<u>\$ 74,278</u>	<u>\$ 26,610</u>	<u>\$100,888</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
EXPENDITURES OF FEDERAL AND STATE AWARDS
Year ended June 30, 2007

<u>Federal and State Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant No./ Authorization Number</u>	<u>Program Award Amount</u>
U.S. Department of Transportation:			
Passed through Michigan Department of Transportation			
Federal Transit Capital Grants:			
Capital Grant - Section 5309 (80/20)	20.500	2002-0046/Z15	\$260,045
Capital Grant - Section 5311 Capital (80/20)	20.509	2002-0046/Z16	6,900
Capital Grant - Section 5311 Capital (100)	20.509	2002-0046/Z16	10,480
Operating Assistance - Section 5311:			
FY06 Section 5311	20.509	2002-0046/Z14	13,959
FY07 Section 5311	20.509	2002-0046/Z2	47,945
Rural Transit Assistance Program (RTAP)	N/A	N/A	3,253
Michigan Department of Transportation:			
Operating Assistance - Act 51-Nonurban	N/A	N/A	147,659
Specialized Services	N/A	02-0046/Z13	57,464
			<u>\$547,705</u>

The accompanying notes to financial statements
are an integral part of this statement.

<u>Current Year's Expenditures</u>				<u>Prior</u>	<u>Award</u>
<u>Total</u>	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Year's</u> <u>Expenditures</u>	<u>Amount</u> <u>Remaining</u>
\$ 57,939	\$ 46,351	\$ 11,588	\$ -	\$ -	\$ 202,106
2,107	1,686	421	-	-	4,793
10,480	10,480	-	-	-	-
13,959	13,959	-	-	-	-
47,945	47,945	-	-	-	-
3,253	3,253	-	-	-	-
147,659	-	147,659	-	-	-
57,464	-	57,464	-	-	-
<u>\$340,806</u>	<u>\$ 123,674</u>	<u>\$217,132</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 206,899</u>

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
FEDERAL AND STATE AWARDS
For the Year ended June 30, 2007

	7-1-06 to <u>9-30-06</u>	10-1-06 to <u>6-30-07</u>	<u>Total</u>
Michigan Department of Transportation			
Local Bus Operating (Act51)	\$ 31,929	\$115,730	\$147,659
Federal Transit Administration			
Section 5311	13,959	47,945	61,904
RTAP	<u>1,305</u>	<u>1,948</u>	<u>3,253</u>
TOTAL	<u>\$ 47,193</u>	<u>\$165,623</u>	<u>\$212,816</u>

Based on a September 30, 2006 Year End

	10-1-05 to <u>6-30-06</u>	7-1-06 to <u>9-30-06</u>	<u>Total</u>
Michigan Department of Transportation			
Local Bus Operating (Act51)	\$124,946	\$ 31,929	\$156,875
Federal Transit Administration			
Section 5311	54,110	13,959	68,069
RTAP	<u>-</u>	<u>1,305</u>	<u>1,305</u>
TOTAL	<u>\$179,056</u>	<u>\$ 47,193</u>	<u>\$226,249</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
OPERATING AND CONTRACT EXPENSES
Year ended June 30, 2007

	<u>Nonurban</u>	<u>Specialized Services</u>	<u>Operating Contract</u>	<u>Total</u>
Expenses:				
Labor	\$ 179,462	\$ -	\$ -	\$179,462
Fringe benefits	88,387	-	-	88,387
Services	4,769	-	-	4,769
Materials and supplies	65,194	-	-	65,194
Utilities	16,362	-	-	16,362
Casualty and liability costs	24,873	-	-	24,873
Purchased services	-	57,464	-	57,464
Miscellaneous expenses	7,974	-	-	7,974
Depreciation	62,771	-	-	62,771
TOTAL EXPENSES	<u>\$ 449,792</u>	<u>\$ 57,464</u>	<u>\$ -</u>	<u>\$507,256</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND

SCHEDULE OF NET ELIGIBLE COST COMPUTATIONS OF GENERAL OPERATIONS

Year ended June 30, 2007

	Federal Section 5311- Nonurban		
	02-0046/Z14	02-0046/Z2	Total
	7-1-06 to 9-30-06	10-1-06 to 6-30-07	
Expenses:			
Labor	\$ 33,668	\$145,794	\$179,462
Fringe benefits	17,410	70,977	88,387
Services	2,664	2,105	4,769
Materials and supplies	20,517	44,677	65,194
Utilities	1,582	14,780	16,362
Casualty and liability costs	6,218	18,655	24,873
Miscellaneous expenses	1,857	6,117	7,974
Depreciation	<u>15,693</u>	<u>47,078</u>	<u>62,771</u>
TOTAL OPERATING EXPENSES	<u>\$ 99,609</u>	<u>\$350,183</u>	<u>\$449,792</u>
Less ineligible expenses:			
RTAP reimbursements	\$ 1,305	\$ 1,948	\$ 3,253
Audit	500	1,500	2,000
Depreciation	<u>15,693</u>	<u>47,078</u>	<u>62,771</u>
TOTAL INELIGIBLE EXPENSES AND REIMBURSEMENTS	<u>\$ 17,498</u>	<u>\$ 50,526</u>	<u>\$ 68,024</u>
NET ELIGIBLE EXPENSES	<u>\$ 82,111</u>	<u>\$299,657</u>	<u>\$381,768</u>
Maximum Section 5311 reimbursement:			
17.00%	<u>\$ 13,959</u>		
16.00%		<u>\$ 47,945</u>	

State Statutory Operating Assistance - the lower of its:

Reimbursement Amount:

38.8857% of eligible expenses for non-urbanized areas

(.388857 x \$82,111)

38.6208% of eligible expenses for non-urbanized areas

(.386208 x \$299,657)

The percentages are calculated based on budgeted eligible operating expenses. Therefore, the percentages will be recalculated after total eligible operating expenses are determined based on the preliminary reconciliation and the audited close-out. There is a fixed amount of state funds available statewide and the percentages change based on the statewide eligible expenses.

Statutory Cap:

Non-urbanized areas and urbanized areas under 100,000 population can receive up to 60% of eligible operating expenses.

Mandatory Floor:

An agency must receive, at a minimum, the amount received for eligible operating expenses in FY 1997, contingent upon the local share requirements set forth in Act 51, as amended.

The accompanying notes to financial statements are an integral part of this statement.

Local Bus Operating Assistance

<u>7-1-06 to 9-30-06</u>	<u>10-1-06 to 6-30-07</u>	<u>Total</u>
\$ 33,668	\$145,794	\$ 179,462
17,410	70,977	88,387
2,664	2,105	4,769
20,517	44,677	65,194
1,582	14,780	16,362
6,218	18,655	24,873
1,857	6,117	7,974
<u>15,693</u>	<u>47,078</u>	<u>62,771</u>
<u>\$ 99,609</u>	<u>\$350,183</u>	<u>\$ 449,792</u>
\$ 1,305	\$ 1,948	\$ 3,253
500	1,500	2,000
<u>15,693</u>	<u>47,078</u>	<u>62,771</u>
<u>\$ 17,498</u>	<u>\$ 50,526</u>	<u>\$ 68,024</u>
<u>\$ 82,111</u>	<u>\$299,657</u>	<u>\$ 381,768</u>

\$ 31,929

\$115,730

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND

SCHEDULE OF NET ELIGIBLE COST COMPUTATIONS OF GENERAL OPERATIONS

Based on a September 30, 2006 Year End

	Federal Section 5311- Nonurban		
	02-0046-Z14		
	10-1-05 to 6-30-06	7-1-06 to 9-30-06	Total
Expenses:			
Labor	\$139,421	\$ 33,668	\$173,089
Fringe benefits	63,884	17,410	81,294
Services	3,267	2,664	5,931
Materials and supplies	79,632	20,517	100,149
Utilities	12,047	1,582	13,629
Casualty and liability costs	18,514	6,218	24,732
Miscellaneous expenses	3,531	1,857	5,388
Depreciation	<u>44,450</u>	<u>15,693</u>	<u>60,143</u>
TOTAL OPERATING EXPENSES	<u>\$364,746</u>	<u>\$ 99,609</u>	<u>\$464,355</u>
Less ineligible expenses:			
RTAP reimbursements	\$ -	\$ 1,305	\$ 1,305
Audit	2,000	500	2,500
Depreciation	<u>44,450</u>	<u>15,693</u>	<u>60,143</u>
TOTAL INELIGIBLE EXPENSES AND REIMBURSEMENTS	<u>\$ 46,450</u>	<u>\$ 17,498</u>	<u>\$ 63,948</u>
NET ELIGIBLE EXPENSES	<u>\$318,296</u>	<u>\$ 82,111</u>	<u>\$400,407</u>
Maximum Section 5311 reimbursement:			
17.00%	<u>\$ 54,110</u>		
17.00%		<u>\$ 13,959</u>	

State Statutory Operating Assistance -

Reimbursement Amount:

39.2546% of eligible expenses for nonurbanized areas
 (.392546 x \$318,296)

38.8857% of eligible expenses for nonurbanized areas
 (.388857 x \$82,111)

The accompanying notes to financial statements
 are an integral part of this statement.

Local Bus Operating Assistance

<u>10-1-05 to 6-30-06</u>	<u>7-1-06 to 9-30-06</u>	<u>Total</u>
\$139,421	\$ 33,668	\$ 173,089
63,884	17,410	81,294
3,267	2,664	5,931
79,632	20,517	100,149
12,047	1,582	13,629
18,514	6,218	24,732
3,531	1,857	5,388
<u>44,450</u>	<u>15,693</u>	<u>60,143</u>
<u>\$364,746</u>	<u>\$ 99,609</u>	<u>\$ 464,355</u>
\$ -	\$ 1,305	\$ 1,305
2,000	500	2,500
<u>44,450</u>	<u>15,693</u>	<u>60,143</u>
<u>\$ 46,450</u>	<u>\$ 17,498</u>	<u>\$ 63,948</u>
<u>\$318,296</u>	<u>\$ 82,111</u>	<u>\$ 400,407</u>
<u>\$124,946</u>		
	<u>\$ 31,929</u>	

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
NONURBAN REGULAR SERVICE EXPENSE REPORT
OAR SCHEDULE 4E
Based on the Year Ended September 30, 2006

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
Labor:				
Operators' salaries and wages	\$ 116,394	\$ -	\$ -	\$116,394
Other salaries and wages	-	32,232	24,463	56,695
Fringe benefits	28,985	29,219	23,090	81,294
Services:				
Audit cost	-	-	2,500	2,500
Other services	1,944	367	1,120	3,431
Materials and supplies:				
Fuel and lubricants	42,981	-	-	42,981
Tires and tubes	4,129	-	-	4,129
Other materials and supplies	8,414	44,625	-	53,039
Utilities	1,782	11,847	-	13,629
Casualty and liability insurance	-	24,732	-	24,732
Miscellaneous expenses:				
Travel, meetings, and training	-	298	777	1,075
Other miscellaneous expenses	2,106	112	2,095	4,313
Depreciation	<u>33,615</u>	<u>2,976</u>	<u>23,552</u>	<u>60,143</u>
TOTAL EXPENSES	<u>\$ 240,350</u>	<u>\$ 146,408</u>	<u>\$ 77,597</u>	<u>\$464,355</u>
Ineligible expenses:				
RTAP	\$ -	\$ -	\$ 1,305	\$ 1,305
Depreciation	33,615	2,976	23,552	60,143
Audit cost	<u>-</u>	<u>-</u>	<u>2,500</u>	<u>2,500</u>
TOTAL INELIGIBLE EXPENSES	<u>\$ 33,615</u>	<u>\$ 2,976</u>	<u>\$ 27,357</u>	<u>\$ 63,948</u>
TOTAL ELIGIBLE EXPENSES	<u>\$ 206,735</u>	<u>\$ 143,432</u>	<u>\$ 50,240</u>	<u>\$400,407</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
NONURBAN REGULAR SERVICE NONFINANCIAL REPORT
OAR SCHEDULE 4N
Based on the Year ended September 30, 2006

	<u>Public Transportation Mileage</u>
<u>LINE HAUL AND DEMAND RESPONSE</u>	
First Quarter	26,300
Second Quarter	31,309
Third Quarter	31,722
Fourth Quarter	<u>29,593</u>
	<u>118,924</u>

The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage. However, the methodology used does not differentiate between Line Haul and Demand Response Mileage.

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
NONURBAN REGULAR SERVICE REVENUE REPORT
Based on a September 30, 2006 Year End

Farebox revenue:	
Passenger fares	\$ 63,686
Contract fares	37,202
State formula and contracts -	
State operating assistance	156,875
Federal contracts:	
Section 5311	68,069
RTAP	1,305
	<u>327,137</u>
TOTAL REVENUES	<u>\$327,137</u>

The accompanying notes to financial statements
are an integral part of this statement.

JOSEPH M. DAAVETILA, P.C.
CERTIFIED PUBLIC ACCOUNTANT
417 Sheldon Avenue, P.O. Box 488
Houghton, Michigan 49931
December 18, 2007

City Council
City of Houghton
Michigan

Management Letter

In connection with our audit of the financial statements of the CITY OF HOUGHTON, MICHIGAN for the year ended June 30, 2007, the following comments and recommendations concerning accounting procedures and controls in effect in the City are presented for your consideration.

The following items are not a matter of internal accounting control, except as noted. They generally relate to the application of generally accepted accounting principles in the preparation of financial statements.

- 1; In previous years the City had accumulated significant interfund balances. The City has made some progress in paying off these interfund loans. We recommend that management continue to take the steps necessary to eliminate these balances. Ideally, all interfund balances should be disposed of on a current basis and all contributions should be budgeted. This comment has been included in previous years' reports.
2. During the year ended June 30, 2007, the City incurred expenditures in two funds which were in excess of the amounts appropriated. This is in violation of Public Act 621 of 1978. As purchase orders are approved, care should be taken to ensure that the amounts expended do not exceed the amount budgeted for that category. This comment has been included in previous years' reports.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the June 30, 2007 financial statements, and this report does not affect our report on the financial statements dated December 18, 2007.

This report is intended solely for the use of management and should not be used for any other purpose. The comments contained herein are submitted as constructive suggestions to assist the City in strengthening controls and procedures, and are not intended to reflect upon the honesty or integrity of any employee.

We would be happy to discuss any of the comments in this report, and would like to thank the officials and employees of the City for the courtesy and excellent cooperation shown to us during our audit.



Certified Public Accountant